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CIS

VETERANS' ADMINISTRATION FISCAL YEAR 1983 BUDGET

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

FEBRUARY 11, 1982

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VETERANS' ADMINISTRATION FISCAL YEAR 1983 BUDGET

THURSDAY, FEBRUARY 11, 1982

U.S. Senate,
Committee on Veterans' Affairs,
Washington, D.C.

The committee met, pursuant to notice, at 2:07 p.m., in room 412, Russell Office Building, Hon. Alan K. Simpson, (chairman of the committee) presiding.

Present: Chairman Alan K. Simpson (presiding), Senators Strom Thurmond and Alan Cranston.

OPENING STATEMENT OF HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Chairman Simpson. The hearing will come to order.

I welcome you to this hearing of the Senate Veterans' Affairs Committee on the subject of the VA budget for fiscal year 1983. I think we are all interested in getting a clearer picture of what the numbers all mean, and of the scope and effect of the legislation that has been proposed by the Administration.

I note the total proposed budget authority for fiscal year 1983 is $25.6 billion, up $867 million from the 1982 total of $24.7 billion. I think we have to bear in mind, however, that those figures do not reflect the necessary supplemental appropriations for the 1982 pay raise and that the 1983 figures assume and contain $234 million in "savings" associated with the proposed legislation. In all, savings resulting from proposed legislation would total $329 million.

I really can't stress enough the continuing importance of a responsible and restrained approach to the VA budget. The economic recovery program that was enacted last year was only a long overdue beginning. I think we must not back away from that program now, because the raw economic necessities that produced such a strong bipartisan response in both Houses of Congress last year still persist to this day. Indeed, it appears now we may be looking at a record deficit in the neighborhood of $100 billion.

My impression after a preliminary review of the VA material which you have submitted to the Congress is that the VA budget for 1983 has been thoughtfully and responsibly formulated with these considerations in mind. And I want to commend those who prepared it for their understanding of the careful balancing of interests of the Nation's economic welfare with the interests of the Nation's veterans.

And although I may have a doubt or two and concerns about funding levels and legislative proposals in certain specific areas, I am hopeful that we will be able to substantially embrace the overall budget levels set forth in this very sound proposal.

The witnesses today are few in number but high in quality, and we will begin with testimony from representatives of the VA, followed by Don Schwab, the national legislative director of the VFW; and Butch Joeckel, deputy national legislative director of the Disabled American Veterans. I appreciate their being here and their being able to prepare and submit their views to the committee so shortly after public release of the VA budget.

And let me also assure you that in the event that further comments should occur to any of you as you become more familiar with this budget, the record of today's hearing will be kept open for subsequent written submissions for your groups and for all other veterans' organizations and groups. There are at least four other interested organizations that will not be testifying today but will be submitting statements for the hearing record, including the Association of VA Investigators and Research Administrators, the American Legion, AMVETS, and the Department of Labor specifically with regard to the funding for the Veterans Employment Service.

Without objection those statements will be ordered printed at the conclusion of the record.

So, representing the Veterans' Administration we have the Administrator, Robert Nimmo. And I want to commend you, sir. I think that in the time since your confirmation you have embarked upon an extraordinarily ambitious program of review and oversight within your own ranks. You have made yourself accessible; and I think that is a critically important thing. I think in this town it isn't whether you agree or disagree, it is making yourself available. And I have learned that and continue to learn it. And when I forget it I hear about it from various people, some of whom I see in this room today.

I welcome this process, and it is helpful for me, even when we don't agree. For heaven's sake let's communicate our frustrations at least. So I commend you. I think you hold the hopes and aspirations of many of us in keeping open a careful dialogue between the veterans' organizations, the veterans and the public.

I understand you have your staff with you. I thank you, Mr. Hoffman, for being here today. And after your brief presentations we will have a period of questions and discussion, and maybe a bit of interruption. Senator Cranston has a schedule that I want to meet if at all possible. So, why don't you proceed, please.

Mr. NIMMO. Mr. Chairman, I thank you for your comments and I am pleased to be here today.

Chairman SIMPSON. Oh, I'm sorry. Senator Thurmond, I apologize. I think, Senator Thurmond, that shows you, I didn't check. I will never do that again.

Senator THURMOND. Well, he's a man who looks ahead.

Chairman SIMPSON. "Mr. Veteran" himself. Strom.

Senator THURMOND. Mr. Chairman, it is a pleasure to be here this afternoon to receive testimony concerning the administration's proposed fiscal 1983 budget for the Veterans' Administration. I want to welcome Mr. Nimmo and commend him for the fine job that he has done as Administrator. I certainly consider you, Mr. Nimmo, as a great asset to President Reagan's administration. I look forward to your continued service.

Let me also welcome Mr. Don Schwab, the national legislative director of the Veterans of Foreign Wars; and Mr. Charles E. Joeckel, deputy national legislative director of the Disabled American Veterans.

Are there any other veterans' organizations represented here? If so, I would like the representatives to stand.

Mr. Chairman, none of us have had the time to study the administration's proposal in great depth. On the surface, however, the proposal appears to be a fair one and one which reflects a commitment to America's veterans and to the programs which serve them. I look forward to the testimony which we will receive today and to hearing from those in the future who are unable to be here today due to time constraints.

And incidentally, I have got another meeting going on but I will stay as long as I can. Mr. Chairman, I wish to thank you for your services.

Chairman SIMPSON. Thank you, Senator Thurmond, very much. Yes, Mr. Nimmo.

TESTIMONY OF ROBERT P. NIMMO, ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION, ACCOMPANIED BY CONRAD R. HOFFMAN, DEPUTY ADMINISTRATOR FOR BUDGET AND FINANCE; DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS' BENEFITS; AND JOHN P. MURPHY, GENERAL COUNSEL

Mr. NIMMO. Mr. Chairman and Senator Thurmond, I thank you for your kind remarks. And I am pleased to be here to discuss the Veterans' Administration's fiscal year 1983 budget with the members of this committee.

This budget is one, I believe, which will continue to provide quality medical care; essential medical research; an increase over 1982 of more than $100 million for construction; a slight increase in total Veterans' Administration employment for new and expanded facilities; and finally, an 8.1 percent cost-of-living increase in compensation for disabled veterans.

In brief, Mr. Chairman and members of the committee, this budget represents a determined effort to contain costs while supporting the President's commitment to veterans to maintain a quality health care delivery system and to provide appropriate cost-of-living increases in compensation.

This budget represents, as I am sure you realize, enormous amounts of hours and days of work by the Veterans' Administration staff who are here before you today. We have examined options, we have reached compromises, we have struggled with each other to find appropriate solutions to the problems that have to be dealt with.

Reasonable people may differ over some of these solutions and we find that we are sure that there is room for compromise even yet. In reaching these decisions, Mr. Hagel and I have together negotiated with OMB many of the items that appear in this budget. We think we have done so with gratifying results.

[The prepared statement of Robert P. Nimmo, Administrator of Veterans' Affairs, follows:]

PREPARED STATEMENT OF ROBERT P. NIMMO, ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION

Mr. Chairman, it is a pleasure to be here today, to discuss the Veterans' Administration's fiscal year 1983 budget with the members of this Committee.

The VA budget while supportive of President Reagan's objectives of reduced Federal spending is a favorable budget for veterans. It will continue to provide quality medical care; priority medical research; an increase over 1982 of more than $100 million for construction; an increase in total Veterans' Administration employment; and, an 8.1 percent cost-of-living increase in compensation for disabled veterans.

The 1983 Budget Authority request transmitted to the congress on February 8, 1982, consists of $24.1 billion for appropriations, including savings of $234 million that will require new legislation. Proposed legislation costing $776 million and permanent authorizations estimated at $727 million produce a total budget authority request of $25.6 billion for fiscal year 1983.

Average employment for 1983 in VA is estimated to increase by 955 to a level of 218,420. A 1,167 increase for the Department of Medicine and Surgery is primarily for workload increases for four new nursing homes, one new outpatient clinic and expansion and relocation of five existing clinics. A 218 reduction in the Department of Veterans Benefits is primarily due to reduced education workloads.

The total budget reflects a policy on veterans benefits similar to the past several requests to the Congress. VA medical program funding increases slightly with additional employment for a few new or expanded medical services; benefit programs include a cost-of-living adjustment for compensation; and construction finding is increased consistent with the needs of the medical system.

Mr. Conrad R. Hoffman, Assistant Deputy Administrator for Budget and Finance will give a brief overview of the highlights of the 1983 budget after which, we will be prepared to respond to any questions you may have.

Mr. NIMMO. Mr. Chairman, I would like to ask Mr. Conrad R. Hoffman, the Assistant Deputy Administrator for Budget and Finance, to give a brief overview of the 1983 budget, after which we will be prepared to respond to your questions.

Chairman SIMPSON. Mr. Hoffman, please.

Mr. HOFFMAN. Mr. Chairman. Copies of this overview have been presented to the committee. I will highlight the significant areas in the interest of reducing the amount of time spent on this review.

The 1983 appropriations request which we have before Congress is approximately $24.1 billion. This is an increase of $86 million over the 1982 appropriation. The 1983 appropriation does include a reduction of about $234 million in legislative proposals which would result in savings.

Proposed legislation not included in the request of about $776 million brings the total amount requiring action by Congress to about $24.9 billion. Pay raise costs do not appear in the 1982 estimates; this is a matter which will be taken up later by OMB through a supplemental submission. We do, however, include $196 million in pay raise costs, in the 1983 budget.

Total outlays for 1983 will be approximately $24.4 billion, which is an increase of $222 million over the previous year.

In terms of the proposed legislative items there are $145,700,000 in savings related to legislation proposed for the compensation account. In addition, there is provision for an 8.1 percent cost-of-living increase which amounts to $771 million. This, of course, is a cost increase item.

Under the pensions appropriation, $62,700,000 of the $234 million is represented by four items which have become part of the savings legislation package.

Readjustment benefits has an additional item of some $25.3 million in savings legislation.

There are two other legislative items of note; one is under medical care which pertains to construction and operation of garage and parking facilities having a cost impact of $4.7 million, and the other under proprietary receipts from the public is an item having to do with the establishment of a one-half of 1 percent loan processing fee in 1983. The estimate related to this item is in the range of $95 million.

Average employment in this budget is increased by 955 FTEE's over the previous year to a level of 218,420. There is an increase of 1,167 for the Department of Medicine and Surgery and a reduction of 218 FTEE's in the Department of Veterans' Benefits.

In the compensation account the $10.1 billion includes a $771 million proposed cost-of-living increase as well as proposed legislative savings of $146 million.

With these proposals, the appropriation request is $542 million over the previous fiscal year. This would provide for a veteran caseload of about 2.3 million.

In the pensions appropriation, $3.9 billion is being requested for 1983. Under existing law this also includes an 8.1-percent increase effective July 1, 1982, and a projected increase of 6.5 percent effective July 1, 1983. The total combined effect of these two increases will be $245 million in 1983.

The burial benefits and miscellaneous assistance appropriation of $141 million will be down about $6 million. As the chairman is aware, the Reconciliation Act provided the $300 burial allowance only for those veterans entitled to VA pension and compensation. This action reduced our requirements in 1982 by $75 million, and in 1983 by $81 million.

For the readjustment benefits appropriation account the request is $1.7 billion in 1983, which is $279 million less than the previous year's level. The GI bill benefits continue to decline, reflecting the decrease in enrollments.

For general operating expenses the appropriation request is $693 million, an increase of $53 million over the previous fiscal year, though there is a decline of 161 full-time equivalent employees.

The medical care funding request in this budget is $7.5 billion, or about $530 million over 1982. The average employment will increase by 1,259 to a new total of 187,546. The medical and prosthetic research appropriation account request is $137.8 million, which exceed 1982 by almost $9.6 million. However, average employment will decrease by 199 to a total of 3,914.

For medical administration and miscellaneous operating expenses, the request of $55.8 million is $415,000 over the 1982 level, with a decrease of 13 FTEE's.

In terms of the medical care appropriation, 5,300 additional inpatients will be treated. There also will be 92,000 additional outpatient medical visits. The average daily VA hospital inpatient census will be 63,500.

The average operating beds provided for in the 1983 budget total 90,042, of which 80,437 are hospital beds and 9,605 are nursing home care beds. The respective occupancy rates are expected to be 79 percent and 94.5 percent.

Lastly, for the construction program, in summary the budget request before Congress is $611.5 million, an increase of $137.2 million over 1982. The major projects appropriation account will require $419 million, while the minor projects construction account requests $192 million. Of this total, in excess of $577 million or 90 percent is earmarked for medical requirements. This is $136 million over the previous fiscal year. The staffing for general administration will remain at a 765 level for the construction activity.

The construction request does include such projects as the funding for Albuquerque, and emphasis in this budget is also placed on correction of code deficiencies which involve privacy and elimination of fire and safety hazards.

That, Mr. Chairman, concludes the overview.

Chairman SIMPSON. Thank you very much, Mr. Hoffman.

[Veterans' Administration 1983 budget overview follows:]

VETERANS ADMINISTRATION
1983 BUDGET REQUEST

- OUR 1983 APPROPRIATIONS REQUEST TOTALS $24.1 BILLION
- THIS IS AN INCREASE OF $86 MILLION OVER OUR 1982 APPROPRIATION
- THE 1983 APPROPRIATION REQUEST INCLUDES A REDUCTION OF $234 MILLION IN LEGISLATIVE PROPOSALS WHICH RESULT IN SAVINGS.
- PROPOSED LEGISLATION NOT INCLUDED IN THE REQUEST OF $776 MILLION BRINGS THE TOTAL REQUIRING ACTION BY CONGRESS TO $24.9 BILLION
- PERMANENT AUTHORIZATIONS + OFFSETTING RECEIPTS ADD $727 MILLION FOR TOTAL BUDGET AUTHORITY OF $25.6 BILLION
- PAY RAISE COSTS: 1982 DOES NOT INCLUDE $175.3 MILLION FOR THE OCTOBER 1, 1981 PAYRAISE. THE ANNUALIZED COST FOR 1983 OF $196.7 MILLION IS INCLUDED.
- IF THE ADJUSTMENTS ARE MADE TO MAKE THE TWO REQUESTS COMPARABLE, THE REQUEST IS $145 MILLION HIGHER
- TOTAL OUTLAYS FOR 1983, $24.4 BILLION, UP $222 MILLION.

Veterans Administration

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Proposed Legislation

(In thousands of dollars)

	Budget Authority	
	1982	1983
Compensation:		
• DELAY PAYMENT TO FIRST FULL MONTH OF ENTITLEMENT	$-1,000	$- 9,000*
• AMEND END-OF-YEAR RULE TO END-OF-MONTH	...	- 1,400*
• ELIMINATE DEPENDENCY ALLOWANCE FOR VETS RATED LESS THAN 50% DISABLED	...	-135,300*
• COST OF LIVING INCREASE OF 8.1% (10-1-82)	...	+771,000
Pensions:		
• ISSUE BENEFITS CHECKS IN EVEN DOLLARS	-1,400	- 10,800*
• DELAY PAYMENT TO FIRST FULL MONTH OF ENTITLEMENT	-2,400	- 19,800*
• AMEND END-OF-YEAR RULE TO END-OF-MONTH	...	- 1,800*
• AMEND DEFINITION OF DEPENDENT CHILD	...	- 30,300*
Readjustment Benefits:		
• ELIMINATE CORRESPONDENCE TRAINING	...	- 5,600*
• ELIMINATE SUBSISTENCE ALLOWANCE FOR VOCATIONAL REHABILITATION DEPENDENTS	...	- 19,700*

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Veterans Administration

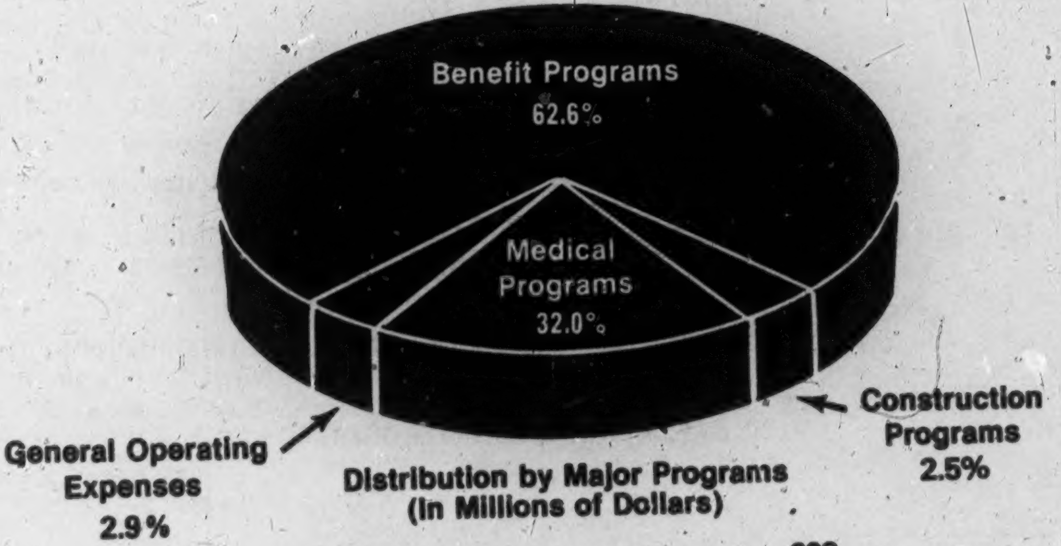
Proposed Legislation, CONT'D.

(In thousands of dollars)

	Budget Authority	
	1982	1983
General Operating Expenses:		
• ELIMINATE THE INSPECTION OF VOCATIONAL REHABILITATION INSTITUTIONS THAT INSURES 50% OR MORE OF VETERANS ARE EMPLOYED IN FIELD OF TRAINING	...	− 223*
• AUTHORIZE PAYMENT FOR CONSTRUCTION OF SAFETY IMPROVEMENTS ON LAND ADJACENT TO NATIONAL CEMETERY ENTRANCES	+ 100	+ 100
Medical Care:		
• ELIMINATION OF CONSTRUCTION AND OPERATION OF GARAGE AND PARKING FACILITIES REVOLVING FUND AND DIRECT APPROPRIATION TO THE MEDICAL CARE ACCOUNT.....	...	+ 4,692
Proposed legislation (receipts):		
Proprietary receipts from the public:		
• LEGISLATION WILL BE PROPOSED TO ESTABLISH A ½ OF 1 PERCENT LOAN PROCESSING FEE IN 1983. IT IS EXPECTED THAT THIS WILL PRODUCE $94.6 MILLION IN RECEIPTS. THIS INCOME WILL BE DEPOSITED IN THE GENERAL FUND OF THE TREASURY AS A VA PROPRIETARY RECEIPT..	...	− 94,640
Total Proposed Legislation	$-4,700	$+447,229
Total Proposed Legislation included in Appropriations Request ...	...	($−233,923)*

Veterans Administration

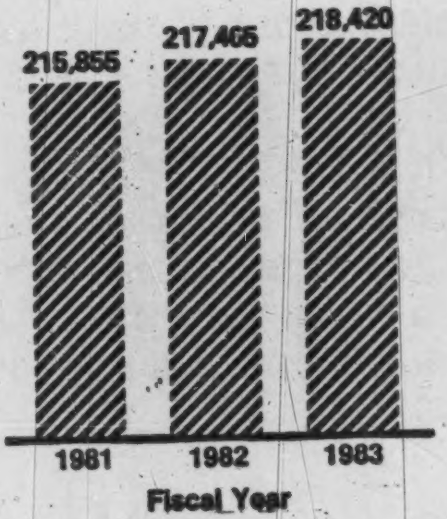
1983 Appropriation Request



Distribution by Major Programs
(In Millions of Dollars)

General Operating Expenses	$ 693
Benefit Programs	15,106
Medical Programs	7,708
Construction Programs	611
Total, VA	$24,118

AVERAGE EMPLOYMENT



Dept. of Medicine and Surgery	+1,167
Dept. of Veterans Benefits	-218
Dept. of Memorial Affairs	+ 4
Office of Construction	- 16
Office of Data Management & Telecommunications	- 14
General Administration and Other	+ 67
Supply Service	- 35
Total VA	+955

- THE BUDGET PROVIDES FOR EMPLOYMENT OF 218,420 IN 1983. THIS IS AN INCREASE OF 955 FROM THE CURRENT AVAILABILITY FOR 1982.

- DEPARTMENT OF MEDICINE AND SURGERY INCREASE IS PRIMARILY FOR WORKLOAD INCREASES IN NEW FACILITIES AND OTHER PROGRAMS: FOUR NEW NURSING HOMES, ONE NEW OUTPATIENT CLINIC AND EXPANSION OR RELOCATION OF FIVE EXISTING CLINICS.

- THE DEPARTMENT OF VETERANS BENEFITS REDUCTION OF 204 IS PRIMARILY DUE TO REDUCED EDUCATION WORKLOADS AND STATE APPROVAL AGENCY COSTS.

COMPENSATION

- THE 1983 REQUEST OF $10.1 BILLION INCLUDES THE $771 MILLION COST-OF-LIVING INCREASE OF 8.1% AND PROPOSED SAVINGS LEGISLATION OF $145.7 MILLION.
- WITH THESE PROPOSALS, THE APPROPRIATION REQUEST IS UP $542 MILLION. ALONG WITH AN INCREASE IN AVERAGE PAYMENTS, THERE IS AN INCREASE IN VETERAN CASELOAD OF 2.3 MILLION.

PENSIONS

- THE CHART SHOWS A REQUEST FOR $3.9 BILLION FOR 1983. THIS INCLUDES, UNDER EXISTING LAW, AN 8.1% RATE INCREASE EFFECTIVE JUNE 1, 1982, AND A PROJECTED 6.5% INCREASE EFFECTIVE JUNE 1, 1983. THE COMBINED EFFECTS OF THESE TWO INCREASES ADDED $245.1 MILLION TO THE 1983 REQUEST.
- PROJECTED AVAILABILITY OF $111.9 MILLION FROM 1982 APPROPRIATIONS.
- TOTAL CASELOAD IS DECLINING AS TERMINATIONS FROM PRIOR LAWS ARE NOT OFFSET BY ACCESSIONS UNDER THE IMPROVED PENSION LAW WHICH HAS A MORE STRINGENT INCOME TEST.

BURIAL BENEFITS AND MISCELLANEOUS ASSISTANCE

- APPROPRIATION REQUESTED FOR 1983 IS $141 MILLION. .... DOWN $6 MILLION
- THE RECONCILIATION ACT OF 1981, P.L. 97-35, ENACTED AUGUST 13, 1981, RESTRICTED THE $300 BURIAL ALLOWANCE TO THOSE VETERANS IN RECEIPT OF, OR ENTITLED TO, VA COMPENSATION OR PENSION.
- THIS ACTION IS ESTIMATED TO REDUCE BURIAL OUTLAYS BY $81.2 MILLION IN 1983. IMPACT IN 1982: $-75 MILLION

READJUSTMENT BENEFITS

- APPROPRIATION REQUESTED FOR 1983 IS $1.7 BILLION. .... DOWN $279 MILLION
- GI BILL BENEFITS CONTINUE TO DECLINE. THIS REDUCTION REFLECTS THE DECREASE IN THE NUMBER OF ELIGIBLE VETERANS AS MORE VETERANS REACH THEIR DELIMITING DATE OR THEIR EDUCATIONAL GOALS.
- POST-VIETNAM-ERA PEACETIME TRAINING PROGRAM FUNDING HAS BEEN TRANSFERRED TO DOD EFFECTIVE JANUARY 1, 1982. THIS IS PROVIDED FOR IN 38 U.S.C. CHAPTER 32.
- VA WILL CONTINUE TO ADMINISTER THE PROGRAM THROUGH THE TRUST FUND ESTABLISHED FOR THIS PURPOSE.

GENERAL OPERATING EXPENSES

APPROPRIATION REQUEST FOR 1983 IS $693.4 BILLION .... UP $53.3 MILLION

FTE AVERAGE EMPLOYMENT TOTALS 21,232 .... DOWN 161

DVB

- EMPLOYMENT DOWN IN EDUCATION AND LOAN GUARANTY SERVICES AS WORKLOAD DECLINES,
- COSTS INCREASES ARE NON-PROGRAMMATIC - PAY RAISE AND SPACE RENTAL.

DMA

- BURIALS UP BY 2,000 TO 45,000 IN 1983.
- TWO NEW REGIONAL CEMETERIES - INDIANTOWN GAP AND QUANTICO.
- STAFFING ESSENTIALLY HELD CONSTANT (+4).

ODM&T

- NO MAJOR ADP PURCHASES PROPOSED IN 1983 ODM&T BUDGET, THE MEDICAL CARE BUDGET HAS $11 MILLION FOR MINI-COMPUTERS FOR MEDICAL SYSTEMS.
- AUSTIN DPC EQUIPMENT UNDER EVALUATION FOR FUTURE REPLACEMENT.
- INSURANCE SYSTEM REDESIGN IS BEING CONTINUED TOWARD A 1984 IMPLEMENTATION.

GENERAL ADMINISTRATION

- CALM - ACCOUNTING SYSTEM CONVERSION FOR 43 MEDICAL FACILITIES WITH NET AGENCY STAFFING AND FUNDING SAVINGS.
- INSPECTOR GENERAL EXPANSION TO TWO NEW FIELD OFFICES, DALLAS AND SEATTLE, FOR A TOTAL OF 8.

MEDICAL PROGRAM FUNDING

MEDICAL CARE

- 1983 REQUEST IS $7.5 BILLION, UP $530 MILLION OVER 1982.
- AVERAGE EMPLOYMENT WILL INCREASE BY 1,259 TO TOTAL 187,546.
- MOST OF THE INCREASE IS FOR PAY AND INFLATION-RELATED COSTS.

MEDICAL AND PROSTHETIC RESEARCH

- THE 1983 REQUEST OF $137.8 MILLION EXCEEDS 1982 LEVEL BY $9.6 MILLION.
- AVERAGE EMPLOYMENT WILL DECREASE 199 TO A LEVEL OF 3,914.
- RESOURCES AT THIS LEVEL WILL CONTINUE TO SUPPORT:

  COOPERATIVE STUDIES AND CAREER DEVELOPMENT PROGRAMS
  HIGH PRIORITY MEDICAL RESEARCH PROGRAMS
  RESEARCH AT 129 VA MEDICAL CENTERS.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

- THE 1983 REQUEST OF $55.8 MILLION IS $0.4 MILLION OVER 1982.
- AVERAGE EMPLOYMENT WILL DECREASE BY 13 TO A LEVEL OF 853.

MEDICAL PROGRAM HIGHLIGHTS

WORKLOAD

- TOTAL BENEFICIARIES TREATED, THROUGH VA DIRECT CARE, CONTRACT CARE AND 3 STATE HOME PROGRAMS WILL BE $7.4 MILLION, UP 5,290 OVER 1982.

VA MEDICAL CENTERS

- INPATIENTS TREATED, 1,252,000, UP 4,000, OVER 1982
- OUTPATIENT VISITS, 18,110,000 TREATED, UP 92,000 OVER 1982.
- AVERAGE DAILY CENSUS 63,500, DOWN 434 FROM 1982.
- LENGTH OF STAY AVERAGE 19.5 DAYS, DOWN .2 DAY FROM 1982.

MEDICAL PROGRAM HIGHLIGHTS

OPERATING BEDS

- PUBLIC LAW 97-72 DIRECTS THE ADMINISTRATOR TO OPERATE AND MAINTAIN A TOTAL OF NOT LESS THAN 90,000 HOSPITAL AND NURSING HOME BEDS. THE OPERATING BEDS IN THE 1983 BUDGET ARE 90,042. (80,437 HOSPITAL BEDS AND 9,605 NURSING HOME CARE BEDS).
- OCCUPANCY RATE FOR 1983 OF 79% DOWN .1% FROM 1982.

TRENDS

- INCREASE IN NUMBER OF PATIENTS TREATED.
- INCREASE IN STAFFING RATIO.
- THE REDUCTION IN CENSUS RESULTS FROM IMPROVED TURNOVER, SHORTER LENGTH OF STAY AND INCREASED AVAILABILITY OF ALTERNATIVES TO HOSPITALIZATION.
- IMPACT REFLECTED IN REDUCED DEMAND FOR HOSPITAL BEDS BUT AN INCREASE IN THE NUMBER OF PATIENTS TREATED.

CONSTRUCTION PROGRAM SUMMARY

- 1983 REQUEST TOTALS $611 MILLION, UP $137 MILLION OVER 1982
  - MAJOR $419 MILLION
  - MINOR $192 MILLION
- CONSTRUCTION PROGRAM DIVIDED:

	TOTAL	CHANGE
● MEDICAL PROGRAM	$576.7	$+136.2
● CEMETERY PROGRAM	2.1	- 1.7
● GENERAL ADMINISTRATION (765 FTE) ..	32.7	+ 2.7
	$611.5	$+137.2

- FY 1983 REQUEST REFLECTS ALBUQUERQUE, NM CONSTRUCTION FUNDS AND EMPHASIZES CORRECTION OF CODE DEFICIENCIES
- GENERAL ADMINISTRATION EMPLOYMENT IS DOWN FROM THE FY 1982 LEVEL BY 16
- THE 1982 ESTIMATE DOES NOT INCLUDE $1.157,000 FOR THE OCTOBER 1, 1981, PAY RAISE

Veterans Administration

Medical Construction Program

(In millions of dollars)

Summary

	FY 1983 Request
Replacement/Modernization	$256.7
Nursing Home Care	35.4
Outpatient Improvements	13.5
Electrical Improvements	25.1
Fire/Safety Improvements	60.1
Clinical Improvements	77.3
Other Improvements (Major and Minor)	141.3
Applied Reprogrammings	-32.7
Total Medical Construction	$576.7

Chairman Simpson. Let me ask some questions and then I have a time problem and Senator Cranston graciously offered to relieve me at about 2:45. So I will ask a few questions while you are here, Mr. Nimmo, and then perhaps could interrupt and hear the testimony of the VFW and the DAV and then come back to you after that. And then Senator Cranston will have questions to direct, not necessarily to you, although I am sure he would have a few, and then to the staff members that are present.

So, first, when would we be able to expect some drafts of the legislation proposed? When might that be?

Mr. Nimmo. If I may, Mr. Chairman, I would like to defer to the General Counsel, Mr. Murphy?

Mr. Murphy. We would anticipate that we would be able to provide some draft legislation the end of this week, early next week. There is some process still going on of getting some of the items cleared.

Chairman Simpson. Well, that's rath[illegible]mely. We appreciate that very much. So let's look at this whole issue of the cost savings that are outlined in the budget. We have the proposal to eliminate the dependency allowance for veterans rated less than 50 percent disabled. That apparently represents the largest single cost savings proposed for fiscal year 1983.

I understand that that proposal would simply basically restore the pre-1978 law in that area. I would like to have you explain the rationale for that decision. I want to be sure that I understand why the major cost savings proposal that you present entail cutbacks in the area of service-connected veterans, because—and I have said this time and again—the mission of the VA is first to provide for the service-connected veterans, and then I have indicated that we must take a close look at eligbility in the non-service-connected area and in the area of need and eligibility.

We will be pursuing inquiries in those areas. But certainly, the service connected disabled veteran is the very heart of the operation, and the heart of care as the citizens and taxpayers would confirm.

So, could you address that issue, please, and then tell us why the proposed cuts in the pension program were substantially smaller?

Mr. Nimmo. Yes, Mr. Chairman, if I may I would ask the Chief Benefits Director, Ms. Starbuck to address herself to those questions.

Chairman Simpson. Maybe we could have another chair placed there at the edge of each side of the table so that—if we could have a chair placed in the center and at each end as the people come up that would be helpful.

Comfy?

Ms. Starbuck. Just great, Mr. Chairman. One sits on the edge of the seat, figuratively and literally.

Mr. Chairman, I think perhaps what we are dealing with here is first of all a request that the Veterans' Administration share in the cost containment that the President is attempting to make, with the objective of perhaps impacting within the compensation program where it might perhaps impose the least amount of hurt. The individuals who are receiving 30- and 40-percent dependency allowances are generally people who are in the employment market and are not totally reliant for their livelihood on the compensation payment.

At the time that the increase in compensation benefits for dependents was initially surfaced, it was to accommodate those at the 40-percent rate. At that time the agency supported this. However, when the legislation came about the increase had been extended to those having 30-percent disability.

But since these are persons who are in the work market, it is our belief that the reduction in benefits which would be approximately $35 per month per veteran, affecting some 320,000 veterans, would not have a catastrophic impact on those persons.

Mr. **HARVEY** [presiding]. I am sorry. Senator Simpson, just had to go over and vote and Senator Thurmond has been asked to take the Chair.

I'm sorry, Mr. Nimmo, Senator Simpson has to vote now and then has some other time constraints and had hoped to give the DAV and the VFW an opportunity to make a presentation. What I suggest is possibly they could come up and take a position at the table. He will be back in just a few minutes. We can ask them to continue their presentation then and then Senator Cranston will be joining us in just a few minutes as well.

Senator **THURMOND** [presiding]. Do you have anything you want to say before you move back?

Mr. **NIMMO**. No, Senator, we would be glad to defer to the veterans' representatives and then we will proceed.

Thank you very much.

Senator **THURMOND**. You vacate your seats then and let the veterans' groups come up.

Move back for the VFW. Mr. Holt, do you want to come up and join these people?

Mr. **HOLT**. No; I'll let Don handle it, Mr. Chairman.

Senator **THURMOND**. All right. Mr. Schwab, go ahead.

TESTIMONY OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. **SCHWAB**. Thank you, Mr. Chairman. It is a privilege appearing before this committee to present the views of the Veterans of Foreign Wars. Inasmuch as the Veterans' Administration went over the figures and the Federal budget, I will not belabor you by redundancy here.

The proposed budget is voluminous, Mr. Chairman, as you know, and my comments today are based upon a rather cursory review rather than one in depth which may reveal important changes requiring amendment of my statement at a future date.

We are pleased with the anticipated cost-of-living increase of 8.1 percent for veterans in receipt of compensation and survivors in receipt of DIC, and also, a similar increase in pension payable to veterans with non-service-connected disabilities and their survivors. The $530 million increase in the Department of Medicine and Surgery in addition to 1,167 personnel is reassuring as are the increases in medical and prosthetic research of $9.6 million, grants to

State-extended care facilities up $2 million, and the increase in construction funds of $134.2 million.

Being realistic in these days of severe budgetary constraints, Mr. Chairman, we do not oppose cost savings in delaying benefits until the end of the month following entitlement, changing the end-of-the-year rule to the end-of-the-month rule or, in the case of pension, paying benefits in even dollars. We do, however, anticipate considerable dissatisfaction with elimination of additional allowances for dependents of the 504,000 veterans rated 30- and 40-percent disabled due to their service-connected disabilities.

It is a matter of record that when legislation was considered which became part of Public Law 95-479, I testified before this very committee supporting dependents allowance for veterans rated 40 percent since this group includes those with below the knee amputations and the enucleation of one eye. Also, we have reservations with respect to charging veterans who avail themselves of VA home loans a "users fee" of one-half of 1 percent, or approximately $285.

Not only would this added cost further inhibit some veterans from purchasing a home, but could well establish a precedent and be precursor of other "users fees" such as charging veterans for medical care in VA facilities. In addition, we are deeply concerned that the $17 million reduction in beneficiary travel will most hurt those veterans who can least afford any unusual expenditure. As you know, beneficiary travel in general is paid only when preauthorized unless the patient is hospitalized or treated.

Mr. Chairman, two most important programs authorized by Public Law 96-330 are not funded in the proposed 1983 budget. The expanded geriatric care and research program, title III of the law, has never been funded, yet we are all well aware of the rapidly growing number of older veterans and some of the infirmities associated with the aging process. Title II of this same law authorized a VA scholarship program for physicians and nurses in exchange for a specific service commitment within the Veterans' Administration.

The doctors' program, again, has never been funded. The 1982 appropriation contains $4 million for nurses, but no money at all is included for this purpose in the 1983 budget. The VA-wide shortage of registered nurses, resulting in the closing of entire wards in some instances, makes continued funding imperative if the nursing problem within the VA is to be alleviated. We are not speaking of a great deal of money considering the benefit derived in professional care for veterans. Therefore, the VFW requests this committee to urge continued funding for this program in its report to the Budget Committee.

Mr. Chairman, among reductions in ongoing programs mandated by Public Law 97-35 is the elimination of the $300 burial allowance for the nearly 27 million veterans not in receipt of compensation or pension. Our current Resolution No. 774, a copy of which is appended, calls for the restoration of the VA burial allowance and a number of bills have been introduced in both Houses of Congress to accomplish this.

However, in the interim, we believe Congress should take immediate action to grant the Veterans' Administration both the necessary authority and the necessary funding to provide an honorable burial for destitute veterans whose remains are unclaimed and who do not qualify for burial allowance under present criteria.

Mr. Chairman, given budgetary constraints, the deep cuts made in other areas and the knowledge veterans' programs could not go wholly untouched, we believe we can in good conscience live with this budget with little change provided further reductions are not made. However, and I stress, we will not stand idly by and see basic entitlements eroded piecemeal by another reconciliation bill. To me, our position is most responsible and I appreciate the opportunity to express the views of the VFW and I will be happy to respond to any questions you may ask.

[The prepared statement of Donald H. Schwab and the Veterans of Foreign Wars response to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follow:]

V F W VETERANS OF FOREIGN WARS OF THE UNITED STATES

NATIONAL LEGISLATIVE SERVICE

Office of Director

PREPARED STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

WITH RESPECT TO THE PROPOSED VETERANS ADMINISTRATION
BUDGET FOR THE FISCAL YEAR 1983

WASHINGTON, D. C. FEBRUARY 11, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of appearing before this distinguished Committee to present the views of the Veterans of Foreign Wars of the United States.

My name is Donald H. Schwab, and it is my privilege to serve the more than 1.9 million men and women of the Veterans of Foreign Wars as their National Legislative Director.

Mr. Chairman, President Reagan has submitted to Congress a proposed 1983 Federal budget of $758 billion with cost-savings of some $56 billion. The Veterans Administration portion thereof of $24.4 billion is an increase of $222 million over 1982 with cost-savings totaling $328.6 million. As you know, we were briefed on this budget by the VA on the 8th of this month and by the President's Office of

Management and Budget just the day before yesterday. The proposed budget is voluminous and understandably, my comments today are based upon a rather cursory review thereof rather than one in depth which may reveal important changes requiring amendment of my statement at a future date.

We are, of course, pleased with the anticipated cost-of-living increase of 8.1 percent for the 2.2 million veterans in receipt of compensation for their service-connected disabilities and their 353,000 survivors in receipt of DIC, the 8.1 percent increase for veterans receiving pension for their non-service-connected disabilities and their survivors effective June 1, 1982. The $530 million increase for the Department of Medicine and Surgery and the addition of 1,167 personnel is reassuring as are the increases in medical and prosthetic research of $9.6 million, grants to state extended care facilities which are up $2 million and the increase in construction funds of $134.2 million.

Being realistic in these days of severe budgetary constraints, Mr. Chairman, we do not oppose proposed cost-savings in delaying benefits until the month following entitlement, changing the end of the year rule to the end of month or, in the case of pension, paying benefits in even dollars. We do, however, anticipate considerable dissatisfaction with elimination of additional allowances for the dependents of the 504,000 veterans rated 30 and 40 percent disabled due to their service-connected disabilities. It is a matter of record that when legislation was considered which became part of Public Law 95-479, I testified supporting dependents allowance for veterans rated 40 percent since this group includes those with below the knee amputations and those who suffer enucleation of one eye. Also, we have reservations with respect to charging veterans who avail themselves of VA home loans a "users fee" of one-half of one percent or approximately $285. Not only would this added cost further inhibit some veterans from purchasing a home, but could well establish a precedent and be the precursor of other "users fees" such as charging veterans for medical care in VA facilities. In addition, we are concerned that the $17 million reduction in beneficiary travel will most hurt those veterans who can least afford any unusual expenditure. As you know, beneficiary travel in general is only paid when pre-authorized unless the patient is hospitalized or treated.

Mr. Chairman, two most important programs authorized by Public Law 96-330 are not funded at all in the proposed 1983 budget. The expanded geriatric research and care program, Title III of the law, has never been funded, yet we are all well aware of rapidly growing number of older veterans and some of the infirmities associated with the aging process. Title II of the law authorized a VA scholarship program for physicians and nurses in training in exchange for a specific service commitment within the VA. The doctors' program has never been funded. The 1982 appropriation contains $4 million for nurses, but no money at all is included in the 1983 budget. The VA-wide shortage of registered nurses, resulting in the closing of entire wards in some instances, makes continued funding imperative if the nursing problem within the VA is to be alleviated. We are not speaking of a great deal of money considering the benefit to be derived in professional care for veterans. Therefore, the VFW requests this Committee to urge continued funding for this program in its report to the Budget Committee.

Mr. Chairman, among reductions in ongoing programs mandated by Public Law 97-35 is the elimination of the $300 burial allowance for the nearly 27 million veterans not in receipt of compensation or pension. Our current Resolution No. 774, a copy of which is attached, calls for the restoration of the VA burial allowance and a number of bills have been introduced in both Houses of Congress to accomplish this. However, in the interim, Congress should take immediate action to grant the VA both the authority and necessary funding to provide an honorable burial for destitute veterans whose remains are unclaimed and who do not qualify for the burial allowance under present criteria.

Mr. Chairman, given present budgetary constraints, the deep cuts made in other areas and the knowledge veterans' programs could not go wholly untouched, we believe we can in good conscience live with this budget with little change provided further reductions are not made. However, we will not stand idly by and see basic benefits and entitlements eroded piecemeal by another reconciliation bill. To me, our position is a most responsible one and I appreciate this opportunity to express the views of the VFW.

Thank you.

Resolution No. 774

BURIAL BENEFIT ALLOWANCE

WHEREAS, Congress has limited the $300 burial and funeral expense benefit only to those deceased veterans who were in receipt of VA compensation or pension; and

WHEREAS, burial benefits would be denied to nearly 27 million previously eligible veterans; and

WHEREAS, a veteran who honorably served his/her country during periods of war and hostility has earned the right to a proper and respectful burial; now, therefore

BE IT RESOLVED, by the 82nd National Convention of the Veterans of Foreign Wars of the United States that we seek the introduction and enactment of legislation to restore the burial benefit allowance for all veterans thereby underscoring the value of their special service to their nation.

Adopted by the 82nd National Convention of the Veterans of Foreign Wars of the United States held in Philadelphia, Pennsylvania, August 14-20, 1981.

Resolution No. 774

RESPONSE OF THE VETERANS OF FOREIGN WARS OF THE UNITED STATES TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

QUESTION (1) You may notice that this year, the Committee's views and estimates to the Budget Committee will address the budget requirements not just of the next fiscal year of two, but of the next five years, through 1987. How does the 1983 budget that is before us today meet or fail to meet the goals and priorities of the VFW for the next five years?

VFW RESPONSE -- (1) The primary concerns of the VFW have always been and will continue to be maintaining the integrity of the VA hospital and medical care system for veterans suffering from service-connected disabilities and those in need suffering from non-service-connected disabilities, maintaining the integrity of the compensation program for veterans with service-connected disabilities and the Dependency and Indemnity Compensation (DIC) program for the survivors of veterans who were totally and permanently disabled due to their service-connected disabilities at the time of death, and maintaining the integrity of the pension program for veterans in need due to their non-service-connected disabilities and their needy survivors. Any proposal or budget which would diminish the VA's ability to maintain the basic concept of these programs would run counter to our long established position.

With respect to the proposed 1983 budget, we do have reservations in a number of areas as pointed out in my testimony. For example, within the next five years the average World War II veteran will become retirement age and the expanded Geriatric Research and Care Program authorized by P.L. 96-330 has never been funded. Although we do not anticipate 12 million World War II veterans will suddenly invade the VA hospital and medical care system, we believe more emphasis should be placed on Geriatric and Research Care. Again, the Nurses' Scholarship Program also authorized by P.L. 96-330, is not presently funded for 1983, although $4 million is included in the 1982 budget, and it is imperative that funding be provided for several years if the VA-wide shortage of registered nurses is to be alleviated. In addition, we have reservations with respect to the "users fee" for those availing themselves of VA home loans for a number of reasons, including the precedent it would set for charging veterans for other earned benefits authorized by law and, also, the anticipated recoupment of $94.6 million to be paid into the treasury would in no way benefit veterans' programs and is more than double the cost of operating the home loan program. (We realize that with proposed cost-savings of $56 billion in the President's budget, we cannot expect the VA to go wholly untouched and the proposed cuts of $328.6 million will probably have to be met. However, we are not convinced that all areas in which the cuts are proposed to be made are the ones which would be the least painful, or the most justifiable.)

QUESTION (2) Have you had any initial commentary to date from your membership concerning which of the proposed legislative changes in this budget is least acceptable?

VFW RESPONSE -- (2) We have furnished the entire leadership of the VFW both our analysis of the proposed VA budget and my testimony before the Committee on February 11th, and it is too early to expect meaningful responses which would indicate a general concensus of opinion.

QUESTION (3) At our November 5 hearing, the VFW strongly opposed any implementation within DM&S of the contrating-out requirements of OMB Circular A-76. How do you feel now about the plans to go ahead with cost-comparison studies in a limited range of non-direct-care areas?

VFW RESPONSE --(3) By Resolution No. 622, passed by the voting delegates to our last National Convention, a copy of which is attached, we are opposed to contracting out anywhere within the VA as proposed by OMB Circular No. A-76. Excluding areas of patient care to which we are unalterably and adamantly opposed, we oppose contracting out in general since it would circumvent veterans preference in Federal employment, would deny the medical center director of any direct control of those employees and would furnish no guarantee that labor disputes involving strikes would not close entire facilities.

QUESTION (4) In your opinion, does the 1983 medical care budget request satisfactorily meet the needs of your World War II veteran members as they enter their mid-sixties? What two or three areas of the medical care budget would you wish to see altered in order to accomodate those needs?

VFW RESPONSE -- (4) Provided the medical care budget of $7.5 billion holds and there is, in fact, an increase of 1,167 personnel in the Department of Medicine and Surgery, and no veteran in need is denied care for non-service-connected disabilities, our concerns with respect to aging veterans is partially answered in response to Question (1). However, both the VFW and older veterans are concerned with numerous published reports of the VA curtailing their medical care in the future.

QUESTION (5) I recognize your long-standing and documented support for dependency allowances for 40% compensation recipients, based on the severity of certain disabilities falling within that rating category. But since the dependency allowance cut-off point was not lowered to 30% until the conference stage on P.L. 95-479, we have not yet had the benefit of your formal appraisal of this lower limit. What is your position on the 30% limit? Does your opposition to the present legislative proposal to raise it to 50% mean that you regard disabilities rated at 20% as having so substantial an impact on the veteran's employability as to require payment of the same kind of dependency allowances as those paid for far more severe disabilities?

VFW RESPONSE -- (5) Our support of additional benefits for dependents of veterans rated 40% disabled was predicated upon the fact that in this group are those who suffer a below the knee amputation and those who suffer enucleation of one eye as outlined in my testimony. Psychosis with definite impairment of social and industrial ability is rated 30 percent. However, if this liberalization authorized by P.L. 95-479 is to be curtailed, it should be done on a case-by-case basis in our opinion, retaining the benefit for those whose disabilities obviously impair their earning capacity.

Resolution No. 622

OPPOSE CONTRACTING OF VA SERVICES

WHEREAS, an area of increasing concern is the contracting out of service within the Veterans Administration as proposed by the Office of Management and Budget Circular A-76; and

WHEREAS, the implementation of such a drastic change in the method of providing service at Veterans Administration Health Care facilities will tend to affect adversely the quality of care of the veteran increasing the potential of employee strikes; and

WHEREAS, the use of commercial contractors will tend to create problems of untold magnitude and will disrupt the cohesiveness essential to the effective direct and indirect patient care operational capability of Veterans Administration health care delivery; and

WHEREAS, contracting out of patient care services in Veterans Administration Health Care facilities is in no way comparable to the contracting out of business-commercial type services in other agencies not related to health care both in the federal government or the private sector; and

WHEREAS, the continuing contracting out of services will seriously jeopardize veterans employment rights and represents an attack on veterans preference laws diminishing the number of full-time jobs otherwise available to war veterans; now, therefore

BE IT RESOLVED, by the 82nd National Convention of the Veterans of Foreign Wars of the United States, that we and the Congress strongly resist and urge the Veterans Administration to oppose any further attempt by the Office of Management and Budget to implement the provisions of OMB Circular A-76.

Adopted by the 82nd National Convention of the Veterans of Foreign Wars of the United States held in Philadelphia, Pennsylvania, August 14-20, 1981.

Resolution No. 622

Mr. **Harvey** [presiding]. Mr. Joeckel, I propose that we stand in recess for just a moment until Senator Simpson returns. He should be back in just a second. I know he is very interested in hearing both of your comments. I'm sorry he missed the comments from Mr. Schwab.

I think you might just keep your place at the table because the vote is almost complete, as you can see from the clock.

[Whereupon, a short recess was taken.]

[Hearing resumed].

Chairman **Simpson** [presiding]. The hearing will come to order. I apologize, a rollcall vote there. It became necessary to leave. I appreciate Strom Thurmond holding on for a moment.

Now, I believe that we have had the testimony of you, Don Schwab, have we?

Mr. **Schwab**. Yes, sir.

Chairman **Simpson**. I regret that I was not here for that and yet I am aware and have seen those remarks.

Now, Mr. Joeckel, you have testimony to present and then we are going to go back to questions for Mr. Nimmo. Please proceed.

TESTIMONY OF CHARLES E. JOECKEL, JR., DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. **Joeckel**. Thank you, and I will summarize so we can get more information from the Veterans' Administration.

As you know, we have not had a lot of time to analyze the budget but we have touched on some of the highlights in my written statement. I would just like to point out at this particular time that the DAV believes this is a good budget in terms of funding for VA medical care. Of course, we do not support all of the legislative proposals. In fact, we are opposed to all of the cost-savings legislative proposals.

I would like to——

Chairman **Simpson**. Excuse me, I didn't get that.

Mr. **Joeckel**. I know.

Chairman **Simpson**. I see. That's what I thought.

Mr. **Joeckel**. I can't say that we are delighted about the cost-savings legislative proposals. But I will commend the Administrator and his staff for recognizing what is happening in the VA health-care system and having taken the initiative to do something about it.

We do think that beneficiary travel is under funded. We would suggest that in order to protect those who are eligible under this program that the VA should submit to the committee a legislative proposal outlining the changes that they would like to make.

In terms of the nursing program, we would like to suggest that the committee support increased funding for next year. My reasons are detailed in the statement.

With respect to the legislative proposal dealing with reduction in dependency allowances for service-connected veterans rated 30 and 40 percent disabled I would point out that these aren't just minor disabilities in many instances; they can be amputations of an extremity, of course, and the loss of an eye. Looking at the compensation program overall, I would say that by paying a veteran a monthly stipend for disability, perhaps today's compensation program is out of tune.

If you take, for example an individual injured in an automobile accident resulting in the loss of a leg, his settlement will be much more than what we are paying him under the VA program. We are opposed to taking the dependency allowances away from service-connected veterans rated 30- or 40-percent disabled. As we pointed out in the hearing held before the Congress enacted Public Law 95-479, that these are the people in the category who begin to feel the crunch of unemployment.

Finally, Mr. Chairman, to respond to Ms. Starbuck's assertion that veterans in this category are in the employment market, then say we would have to question the rationale that takes away the dependency allowances under the vocational rehabilitation program. Certainly, these veterans are not in the employment market, and if they were, they wouldn't be seeking employment training.

That summarizes briefly what I have to say, Mr. Chairman and thank you very much.

Chairman SIMPSON. Thank you very much.

[The prepared statement of Charles E. Joeckel, Jr., deputy national legislative director, Disabled American Veterans, follows:]

PREPARED STATEMENT OF
CHARLES E. JOECKEL, JR.
DEPUTY NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SENATE COMMITTEE ON
VETERANS AFFAIRS
FEBRUARY 11, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 700,000 members of the Disabled American Veterans I am pleased to appear here today to discuss the budget request of the Veterans Administration for Fiscal Year 1983.

Let me begin, Mr. Chairman, by thanking you and the members of the Committee for soliciting our input on the Fiscal Year 1983 VA budget prior to submitting your recommendations to the Senate Budget Committee. While we have not had ample time to review the budget in detail, we do intend to address some of the highlights and to comment on the legislative proposals contained in the request.

Mr. Chairman, although outlays for the Veterans Administration are projected to rise by less than 1% in Fiscal Year 1983, this budget, in many ways, attempts to deal with many of the short falls in funding that have occurred in the VA over the past several years. Even though the DAV cannot support all of the proposals and funding levels outlined in the VA request for Fiscal Year 1983, we do, however, wish to commend Administrator Nimmo and his staff for recognizing the drastic impact that continual under-funding has had upon the VA's

Department of Medicine and Surgery -- and, more importantly, to express our sincere appreciation for taking the initiative to change this trend.

I refer, of course, Mr. Chairman, to the fact that the VA health care budget is up by some $530 million over Fiscal Year 1982 and to the $137.2 million increase in the Construction Program. We are not yet prepared to say that the Office of Management and Budget has clearly demonstrated its support for the maintenance of a separate system of health care for veterans, but we can say, at least, that, in terms of the federal budget crisis today, we believe the Administration has dealt fairly and generously with the VA hospital and medical care program.

MEDICAL CARE

We do wish, however, to call your attention to four budget items which impact upon the health care program.

We note on Page 6-15 in Volume II of the detailed text of the Fiscal Year 1983 budget proposal that the Veterans Administration request for Beneficiary Travel is $24.7 million less than the 1982 level. Despite assurances, we are deeply concerned over how such a reduction might impact upon service-connected disabled veterans.

We believe that if the Administration intends to restrict the payment of Beneficiary Travel, then the correct course of action should be taken -- that is, to submit legislation outlining the proposal to achieve this cost-savings. Simply under-funding the travel reimbursement account and parceling out funds in a piecemeal fashion leaves no assurance that veterans entitled to the benefit will actually receive it or that the program will be administered fairly and equitably.

Secondly, we find that no funds have been requested to implement the nurse scholarship program authorized by the enactment of Public Law 96-330. As you know, the Congress appropriated $4 million for this program in Fiscal Year 1982 (P.L. 97-101). The absence of these funds in the 1983 budget poses a very difficult problem for the Department of Medicine and Surgery.

Fiscal Year 1982 appropriations will allow the VA to grant scholarship funds to approximately 300 nurses this year. However, training and the achievement of a Degree under a nursing program requires a two year commitment. Accordingly, if funding is not provided in Fiscal Year 1983, the VA, of course, will be unable to meet its obligations under nurse scholarship contracts -- therefore, losing both the prior funding and the newly trained nurses' two year commitment to the VA health care program.

For these reasons and others, we would respectfully request that the Committee include in its recommendations to the Budget Committee, continued funding at the current level for the VA nurse scholarship program.

The DAV is somewhat concerned over two other requests totaling 2.5 million to fund feasibility studies for the contracting out of certain functions currently performed by federal employees within the Department of Medicine and Surgery ($2 million) and for the implementation of a "user's fee" in connection with the care and treatment provided to nonservice-connected veterans not in receipt of VA pensions ($500,000).

As you know, we have already expressed our views (in Senate hearings held November 5, 1981) concerning the implementation of OMB Circular A-76 with respect to the VA Department of Medicine and Surgery. Frankly, the DAV has no objection to contracting certain minor functions such as general grounds maintenance. However, because of our belief that the contracting out of certain health related functions would adversely impact upon the quality of care provided to veterans, our organization would continue to oppose any contracting of direct or indirect health care services -- even if the studies were completed.

Further, Mr. Chairman, should veterans be charged a fee for services rendered and benefits provided by the Veterans

Administration? This is the question raised by the Administration's request for $500,000 to study the feasibility of imposing a user's fee upon the health care provided to nonservice-connected veterans and by a legislative proposal contained in the 1983 budget request to charge a .5% origination fee in the VA Home Loan Guaranty Program.

Mr. Chairman, the VA already has authority contained in Public Law 96-330 to limit the treatment of nonservice-connected veterans in VA facilities to only those nonservice-connected veterans who can demonstrate, in fact, that they are unable to defray the expense of such care if it were provided in a private medical facility. Therefore, it seems, that the VA would only be assessing a fee upon veterans already known to be unable to afford health care anywhere else.

We would not argue that the assessment of a nominal fee would result in the failure of a veteran to receive such care and treatment. But we would argue, that as the federal deficit rises, so would the irresistible urge to increase the fee well beyond the definition of nominal.

Accordingly, we are opposed to the $2.5 million VA request to fund these two feasibility studies.

LEGISLATIVE PROPOSALS

As I stated earlier, Mr. Chairman, the DAV is pleased with most of the funding levels provided in the Fiscal Year 1983 VA budget request. We are surprised, however, that the Administration, in order to keep the growth of the VA budget in check, has placed a disproportionate share of this burden upon service-connected disabled veterans. Some $165.4 million of the $233.6 million in cost-savings proposals contained in the budget would directly impact upon the benefits provided to service-connected disabled veterans.

Mr. Chairman, three years ago in discussing the passage of the measure which eventually became Public Law 95-479 the following assessment was made to justify the extension of dependency allowance payments to service-connected veterans rated 30% and 40% disabled:

> We carefully considered...the amount of other income support available to disabled veterans with dependents, such as Social Security Disability payments. We also examined the rationale behind the House action extending prorated dependents' allowances to veterans with 40% disability ratings, that is, that veterans with disabilities rated at 40% may have substantial impairments of earning capacity and needs for additional income support for their dependents.
>
> On the basis of these considerations...we agreed on...the prorated dependents' allowances to veterans rated 30% disabled as well as those rated 40% disabled. The extension of such allowances to 30% disabled veterans was based on the view that the justification

> for the extension to such veterans was comparable to that for 40% disabled veterans.

Mr. Chairman, two of the legislative proposals contained in the Fiscal Year 1983 VA budget request would eliminate the payment of dependency allowances under the compensation program for service-connected veterans rated 30% and 40% disabled and terminate the payment of additional subsistence allowances under the Vocational Rehabilitation Program for service-connected veterans with dependents. The Disabled American Veterans is strongly opposed to the enactment of this legislation.

We note that in its document entitled: Major Themes And Additional Budget Details, the Office of Management and Budget chose to describe the disabilities in the 30% and 40% category as, "relatively minor...such as flat feet, severe chronic laryngitis, severe convulsive tic or a moderate ulcer."

We would point out, Mr. Chairman, that a 30% or 40% evaluation is assigned for disabilities such as the amputation of a lower extremity below the knee, the anatomical loss of one eye, and an injury to the skull resulting in a hole larger than the size of a quarter (25¢). Generally, these disabilities are combat related and cannot be described as relatively minor.

The concurrent enactment of these two proposals would have a drastic impact upon the monetary support provided by the Veterans

Administration to service-connected veterans who are rated 30% and 40% disabled and who are training under the Vocational Rehabilitation Program. For example, a 30% veteran with a spouse and two children who is attending school, would stand to lose 32% of the VA payments currently provided; if the same veteran had three children, the reduction in VA support would be 36%. Similarly situated veterans evaluated at 40% would lose 30% in VA benefits for the support of a spouse and two children and 34% in overall payments if the veteran has a spouse and three children.

Mr. Chairman, these are not, in our view, slight modifications in the benefits provided to service-connected veterans with relatively minor disabilities. We, therefore, strongly urge the Committee to support the restoration of $165.4 million in the Fiscal Year 1983 budget to maintain the current levels of dependency allowance payments provided to service-connected veterans rated 30% and 40% disabled and to service-connected veterans training under the Vocational Rehabilitation Program.

Finally, we note that no funding is provided in the FY 1983 VA budget to implement Section 302 of Public Law 97-72 to establish a Small Business Loan Program for Vietnam Era and certain service-connected disabled veterans.

We do know, however, Mr. Chairman, that the current procedures to give extra consideration to Vietnam Era and disabled veterans by the Small Business Administration are not working — thus, the Congress created a new program within the Veterans Administration.

Accordingly, we support and would urge the Committee to recommend to the Budget Committee funding of the VA Small Business Loan Program at the level authorized in Public Law 97-72.

In conclusion, when considering the various proposals contained in the budget...the assessment of a .5% origination fee in the VA Home Loan Guaranty Program, elimination of dependency allowances for service-connected veterans rated at 30% and 40% disabled, to reduce subsistence allowances paid to veterans with dependents under the Vocational Rehabilitation Program and the failure to fund the Small Business Loan provisions of Public Law 97-72...it can be said that these reductions have their greatest impact on younger veterans who seek to buy homes, who have dependent children, who are attending school and who need special assistance in establishing a business.

Certainly, there can be no criticism of this Committee in terms of providing equal benefits to all veterans of all age groups. However, Mr. Chairman, the Administration's legislative proposals could be viewed in this vein.

Again, Mr. Chairman, I wish to thank you and the members of the Committee for allowing us this opportunity to express some of our concerns regarding the VA budget request for Fiscal Year 1983.

Chairman **Simpson**. I will be working with you and listening as you go deeper into the budget, probe it further. We will schedule some time with you to discuss specifics and things that concern you.

I think that at this point let me then go back to the Administrator, and then there will be some questions I will submit to you in writing. I appreciate very much your willingness to come to the committee today on such short notice with such a tremendous budget to review. I thank you for that.

Mr. **Joeckel**. Thank you, Mr. Chairman.

Mr. **Schwab**. We appreciate you holding the hearing.

Chairman **Simpson**. Well, I learned my lesson.

TESTIMONY OF ROBERT P. NIMMO, ADMINISTRATOR OF VETERANS' AFFAIRS, VETERANS' ADMINISTRATION, ACCOMPANIED BY CONRAD R. HOFFMAN, DEPUTY ADMINISTRATOR FOR BUDGET AND FINANCE; DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS BENEFITS; AND JOHN P. MURPPHY, GENERAL COUNSEL—Resumed

Chairman **Simpson**. Let me ask with respect to the unemployability restriction, what type of benefits from other sources would preclude a payment at the 100 percent rate on the basis of the veteran's unemployable status? Would that apply to all Federal benefits? All Federal and State benefits, benefits issued on a basis of employment status, or only to certain enumerated benefits under Federal programs as suggested in the OMB's material?

Mr. **Murphy**. Senator, it would apply to all Federal benefits that are based upon retirement or disability. I believe the largest one would be social security payments.

Chairman **Simpson**. Will there be any further enumeration?

Mr. **Murphy**. Well, I think that I should provide a further response for the record subsequently, specifically in connection with your question as it regards state or similar state's benefits from the state government.

Chairman **Simpson**. All right.

[Subsequently, the Veterans' Administration submitted the following information:]

Office of General Counsel Washington, D.C. 20420

Veterans Administration

MAR 1 1982

Honorable Alan K. Simpson
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

During the recent Committee hearings on the fiscal year 1983 budget, you raised particular questions concerning our legislative proposal to discontinue, as of October 1, 1983, the payment of additional compensation for individual unemployability in cases where veterans are receiving other Federal benefits by reason of disability or retirement. I am pleased to respond to your questions.

First, you asked what type of other benefits would preclude payment at the 100 percent rate. Under our proposal, the amount of monthly compensation, including dependents' allowances, payable to an unemployable-rated veteran would be reduced by the amount of other Federal benefits received for that month by reason of disability or retirement, but never below the amount payable on the basis of the veteran's schedular rating under Subpart B of Part 4, title 38, Code of Federal Regulations. "Other Federal benefits" would include Social Security disability (SSDI) and old age (OASI) benefits, civil service retirement (including disability retirement) annuities, and railroad retirement and Black Lung benefits. Our estimate of savings from this proposal is based on information we received from the Social Security Administration concerning the number of unemployable-rated veterans receiving SSDI and OASI benefits; we do not at present have such data on the other Federal programs.

I'd like also to clarify that Supplemental Security Income (SSI), a Federal benefit administered by the Social Security Administration, would be included. However, we believe that few, if any, unemployable-rated veterans are actually in receipt of SSI. This is because the SSI maximum payment level is substantially below the 100 percent compensation rate; a veteran receiving compensation at the 100 percent rate would presumably be ineligible, by reason of income, for SSI, a need-based benefit.

In Reply Refer To: 022

Our proposal would not encompass State or private benefits payable on the basis of an individual's disability or old age.

Let me also elaborate as to why this proposal cannot be handled administratively; after all, as you correctly pointed out, our authority to assign total ratings to these veterans arises under our regulations.

Under section 355 of title 38, United States Code, the Administrator is charged with maintaining a schedule of ratings, including total ratings. Consistent with this authority, it is provided at 38 C.F.R. § 4.16, a section in Part 4, Schedule for Rating Disabilities, that a total rating may be assigned to a veteran for individual unemployability resulting from service-connected disability. Because section 314(j) of title 38 (the 100 percent rate) requires payment of the specified monthly amount "if and while the disability is rated as total," VA could not legally provide by regulation for a lesser amount based on the veteran's receipt of other Federal benefits. Hence, we have proposed the enactment of statutory authority for such reductions.

I trust this letter is responsive to your concerns.

Sincerely yours,

JOHN P. MURPHY
General Counsel

Chairman SIMPSON. Let me ask you why you think legislation is necessary on this issue? Could not this be handled administratively, since that section was an administration proposal or regulation? Could it not have been repealed or amended by administrative action?

Mr. MURPHY. Well, it is my view, Mr. Chairman, that it would require legislation, because the provision that we will be proposing envisions an offset and does not envision really a change of the unemployability rating itself. I think that legislation is necessary to have the authority to offset other Federal benefits against this provision.

Chairman SIMPSON. With respect to your amended definition of dependent child for the purposes of pension. I note that OMB projects a savings of more than twice the amount than was projected by the VA for this proposal in fiscal year 1983. What would be the actual saving there? How many recipients are going to be affected and approximately how much money per recipient is going to be involved?

Mr. MURPHY. If I could interject for a second, Senator. That provision is currently being reconsidered so I believe that although Ms. Starbuck will be able to shed some light on it, it is being reconsidered and it may be altered in the future.

Ms. STARBUCK. Mr. Chairman, on the amendment of the definition of a child there are about 36,700 veterans who are currently receiving pensions who have a child now in school who fall within that definition. And approximately 62,500 widows who have children are within that classification.

Chairman SIMPSON. I understood that that provision would bring the VA pension law into line with social security law. How long has that definition been applied in the social security context?

Ms. STARBUCK. I believe that became effective this past year, Senator. I am not sure about that. But it is a phase down process.

Chairman SIMPSON. Did social security ever use that 23-year-old age limit?

Ms. STARBUCK. I don't know what their age limit was, Mr. Chairman.

Chairman SIMPSON. Will you tell us what the amount of the average payment is that might be involved with that proposal?

Ms. STARBUCK. May I provide that for the record, sir?

Chairman SIMPSON. If you would, please.

Ms. STARBUCK. Right off the top——

Chairman SIMPSON. If you would.

[Subsequently, the Veterans' Administration submitted the following information:]

CHILDREN AFFECTED BY AMENDING THE DEFINITION OF DEPENDENT CHILDREN

We estimate that 25,700 children will turn 18 and thus will be prohibited from entering postsecondary schools if this proposal is enacted. This 25,700 reduction will result in $6.7 million savings in fiscal year 1983, or about $260 per child. The second group of school children (those already 19), affected in fiscal year 1983 by this proposal number 103,000. These children will have their benefit reduced 25 percent, resulting in an additional $6.7 million savings. The proposal stipulates a 50 percent reduction in benefits in fiscal year 1984 for those remaining in postsecondary schools, 75 percent in 1985, and 100 percent in 1986. The phasing in of the total reduction makes this proposal similar to the current social security law.

Chairman **Simpson**. I am concerned about the possibility of an overlap between this legislative proposal and the proposal to eliminate dependency allowances for 30- and 40-percent compensation recipients. How many persons are presently in receipt of both types of dependency allowance? And what is the total combined monetary effect on each such recipient if both of those types of dependency allowances were to be eliminated?

Ms. **Starbuck**. We estimate, Mr. Chairman, that in 1983 we would have on our rolls at the 30-percent level, those who are currently eligible for dependency allowance under compensation, approximately 3,800 veterans. At the 40-percent level, 2,300. To eliminate the duplicate dependency allowance for these veterans would represent a total savings of $5,400,000.

Now, the payment for a dependent on the compensation program is approximately $35 for a veteran with one dependent. The difference between—attending school full time. The difference between a single veteran's and a veteran with one dependent is about $49.

Chairman **Simpson**. Let me ask you about this approach on the user fee on the home loan guaranty program. How, in particular, would the veteran benefit? What services does he or she receive in return for that average fee of approximately $285? Is that cost of service to the VA the same regardless of the amount of the mortgage secured? And where will the receipts from that provision go? Will they be fed back into the loan guaranty revolving fund? And what effect will that have on budget authority within that particular budget function?

Ms. **Starbuck**. Senator, as the proposal was originally made it was intended that this become a part of the loan guaranty revolving fund, which as you know, requires no appropriation. However, the decision was made that these moneys would go into the Treasury. And so this, in effect, would be a fee charged to the veteran for—as a part of his loan. And this would go into the Treasury fund and not be available to the Veterans' Administration.

Chairman **Simpson**. Our study shows the cost to the VA is going to be the same regardless of the amount of the mortgage secured, is that correct?

Ms. **Starbuck**. That is correct, sir.

Chairman **Simpson**. Now, just one further question, then I am going to submit several questions in writing, because Senator Cranston, as I say, has to leave by 3:15 and I must leave earlier than that. And I am going to submit questions in writing to this panel and to the veterans' organizations. And then Senator Cranston can take over his questioning for as long as he may wish.

And at the end of that time, rather than have the staff address questions, to you—we do not do that in the Judiciary Committee, a rather unanimous decision, that if we are not there it is a disservice to the witnesses and a little bit demeaning, and it certainly isn't appropriate for the Senators not to be present. So at the end of Senator Cranston's inquiry we will terminate the hearing and questions will be submitted in writing.

So, the final question is in the area of medical care. I am concerned about the limited extent to which the budget before us today takes steps to deal with increasingly pressing health-care needs of the aging veteran. There are a number of important programs that are aimed at creating alternatives to the warehousing of aging veterans indefinitely in the VA hospital system, such as hospital-based home care, personal residence care, foster care programs, and alcoholic and psychiatric patients. Are any steps being taken in this budget before us today that would strengthen or increase funding in any of those areas?

And I would appreciate knowing if you have any views on the type of changes or funding increases that ought to be made in order to emphasize those long-term goals of increasing alternate care, and perhaps even addressing it in the context where you addressed it so realistically, Mr. Nimmo. It would be easy not to address it, but we have 12 million World War II veterans who will be 65 years old in 2.5 years, and who, under present law, are entitled to enter into the direct health-care system on a preference basis, regardless of their net worth or their income.

And that, indeed, is something we are going to address in future hearings. But that is a rather long question, but if you could address that, please?

Mr. NIMMO. Just briefly and generally, Mr. Chairman, before asking Dr. Custis to address it in more specifics, I would have to confess that the constraints of time have prevented me from going as deeply as I would like into where we ought to be and to what extent we ought to be redistributing our resources to care for the aging veteran. It is, however, recognized by all of us that it is a problem which must be addressed with some priority.

We know that while we have passed the peak, in terms of the number of veterans—they are now becoming fewer, we also know that the numbers of aging veterans are increasing. This is going to require us to make a careful examination of the number of beds we devote to acute care, to nursing homes, to domiciliaries, and perhaps, to hospices.

So, while I am acutely aware of the problem, I have not yet satisfied myself what the solutions to that problem are and I would defer to Dr. Custis who may be able to elaborate further on it.

Chairman SIMPSON. I would suggest that we might, and I will work with your staff to consider a hearing later where we pursue simply that issue and that issue alone.

I thank you.

Mr. NIMMO. Thank you very much, Mr. Chairman.

Chairman SIMPSON. Yes. Dr. Custis, I believe you were going to respond to that?

Dr. CUSTIS. We specifically have an additional appropriation requested for GRECC's in the 1983 budget which amounts to $1.7 million, and an additional 35 FTEE's. This will enable us to beef up the staffing of the current eight GRECC's. We will, however, be unable at this time to expand the number of GRECC's, even though we have the authority to increase the number to 15.

In addition to that element of care for the aging veteran, we will continue to increase the number of nursing home beds in 1983. Four new nursing homes will be activated in 1983, involving a total of 406 new beds. This will bring our total bed capacity in nursing homes to almost 10,000.

Our goal that was set back in 1978 was to increase the nursing home capability from some 6,500 to 13,000 beds and, hopefully, we will be able to meet that goal in 1986–87. The hospital based home care program involves 30-some programs. In fiscal year 1981 about $9.6 million was expended and 250 FTEE's were devoted to providing this team-type health care in the home setting. It is a program that we are very proud of.

We would have expanded the program, if we had the resources, because even though it has yet to be fully evaluated, from the standpoint of cost effectiveness, we have more than a gut feeling that it is indeed very cost effective.

In addition, we are currently conducting a restudy of the whole domiciliary program, including a needs analysis and a reevaluation of what we should be doing in the way of domiciliary care. We hope to present this to the Administrator within the next week or two. The guidance that we have been under was to reduce the census in our domiciliaries from what had been around 9,200 to 6,500 by the year 1983.

This requires rethinking, including the very premise of what sort of patient we should be caring for in a domiciliary. These are the kinds of issues that we intend to take to Mr. Nimmo in a couple of weeks.

Senator CRANSTON [presiding]. Thank you very much.

[The response of the Veterans' Administration to written questions submitted by Hon. Alan K. Simpson, chairman of the Senate Committee on Veterans' Affairs, follows:]

RESPONSE OF THE VETERANS' ADMINISTRATION TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN K. SIMPSON, CHAIRMAN OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1. With respect to the unemployability restriction, why was it decided to request that this proposed legislation not be effective until fiscal year 1984?

Answer 1. It was requested that the restrictions on unemployability rates be effective in fiscal year 1984 in order to provide sufficient lead time to prepare, publish in the Federal Register, receive approval and distribute the regulations needed to implement the change. Time will also be needed to arrange for the exchange of information with other Federal agencies and prepare computer procedures to accomplish the offsets. Affected veterans will need to be informed and information requested from them in advance of the effective date of the change.

Question 2. On the subject of the proposal to reduce GOE funding for inspection of vocational rehabilitation institutions, what alternative method is contemplated for monitoring the success of the program?

Answer 2. Apparently some confusion exists about this proposal because of the explanation provided in the budget. The proposal does not pertain to the vocational rehabilitation program. It will eliminate some reporting requirements in chapters 34 and 35 of title 38, United States Code.

The proposal which will result in savings of $223,000, refers to the elimination of requirements in 38 U.S.C. 1673(a) and 1723(a) that schools offering vocational training report on the numbers of graduates who during the preceding 2-year period have obtained employment in the fields for which the schools provided training.

The reporting requirements have served their purpose and are no longer needed to monitor the vocational training programs. Education institutions and training establishments will still be monitored. State approving agencies will continue their approval and supervisory activities and the VA will continue its compliance survey program.

A recommendation to eliminate the employment report requirement was introduced (as part of S. 1312) in the first session of the current Congress; however, it did not receive consideration. The recommendation for repeal of the employment report requirement will be renewed during the second session of the current Congress.

Question 3. With respect to the user fee on the home loan guarantee program, how in particular would the veteran benefit -- what services would he or she receive -- in return for this average fee of approximately $285?

Answer 3. The VA home loan program has been and continues to be of great importance to present and former members of the Nation's Armed Forces who seek to become homeowners. Nevertheless, the costs to the taxpayers of operating the program and paying claims on the approximately 3.7 percent of the loans resulting in foreclosure are significant. Since the loan guaranty program provides a unique benefit for a select group of beneficiaries, it would be reasonable for this group to bear a portion of the cost of providing the benefit through a modest, one-time fee. The service received by such veterans would be the ability to obtain a home loan, with a favorable interest rate, backed by a federal guarantee.

It should be noted that this proposed fee is similar to that which was instituted under Public Law 89-358 and ultimately repealed by Public Law 91-506 (The Veterans Housing Act of 1970).

Question 4. I understand that the receipts from this provision will go into general treasury accounts. Does this mean that these receipts will not be reflected in Function 700 outlays? What steps might we take to insure that they are used to increase the loan guarantee revolving fund? What are your comments on the advisability of such a course of action?

Answer 4. Receipts from the proposed funding fee on GI loans will be reflected as an offset to Agency budgetary authority and outlays (in Function 700).

If these funds are to be credited to the Loan Guaranty Revolving Fund, the Congress must so provide by legislation.

It is the Administration's position that, from an overall budgetary standpoint, crediting these funds to miscellaneous receipts is preferable to crediting them to the Loan Guaranty Revolving Fund.

Question 5. The medical research account, although nearly $9 million over fiscal year 1982 levels, it is still below 1981 levels. Is it not reasonable to regard a strong medical research budget as a necessary and integral part of the VA's goal in meeting these long term needs? How have last year's reductions in this account affected research efforts to date, and how will they affect research programs in fiscal year 1983?

Answer 5. The VA medical research program is an important part of the VA's health-care system and significant contributions to the improvement of patient care have been made through this program. Most recently VA research has improved the treatment of high blood pressure, ulcer and schizophrenia, all prevalent problems among veterans.

The fiscal year 1982 budget for medical research represented a reduction of $9,274,000 and 165 FTEE's from the fiscal year 1981 level. This required a reduction of programs from fiscal year 1981.

The fiscal year 1983 medical research budget will allow activity to continue ay the fiscal year 1982 program level. This budgeting has caused a review of research priorities. That review process will serve to assure use of funds to maximum benefit.

Question 6. A major part of the VA's mission should be to provide leadership in the area of rehabilitation. I am concerned with the seeming lack of emphasis on the VA's rehabilitative engineering research (RER&D) program compared to medical research. RER&D projects impact directly on veterans in need of rehabilitation assistance. Please discuss the level of importance that the VA attaches to this program and the reasons for the extremely low increases sought with respect to both fiscal year 1982 and fiscal year 1983.

Answer 6. The VA RER&D program has as its ultimate mission the improvement of the quality of life for the disabled veteran. This can only be achieved through research in the high priority areas of prosthetics/amputation, spinal cord injury, and sensory aids. The transfer of the resulting technology into improved methods of delivery of health care provides many benefits for assisting the disabled veteran in becoming assimilated into his community and general population.

Question 7. With respect to the $2 million proposed to be authorized for cost-comparison studies under OMB Circular A-76, what would be the exact scope of the studies to be so conducted? What specific activities would be encompassed, and which VA facilities would be affected, i.e., please elaborate on the phrase "large metropolitan areas" that is used in defining the narrow scope of the proposed cost-comparison studies?

Answer 7. The VA's plan in utilizing the funds requested is to study selectively three commercial-type DM&S functions -- grounds maintenance, medical transcription, and painting. We believe these services are readily available commercially in large metropolitan areas where conversion to contracts would be less disruptive, so we intend to select the larger, affiliated VA medical centers for these particular studies. Also, this preselection of study sites will help ensure competition is available and capable of providing the function under study. The funding requested will permit the study of approximately 260 activities, but we have not yet determined exactly which VA sites will be selected.

Question 8. I note with respect to beneficiary travel that it is proposed that reimbursement be precluded in cases of non-emergency medical care. Is this "emergency" standard presently in use in administering the beneficiary travel reimbursement program? If not, on what basis would the determination be made as to whether an emergency situation exist?

Answer 8. There is no emergency standard in use. Field facilities have been instructed to limit the payment of beneficiary travel to the following categories of VA beneficiaries: Service-connected veterans and other persons receiving benefits for or in connection with a service-connected disability; veterans receiving VA pension and; beneficiaries whose annual family income is less than or equal to the maximum annual base VA pension rates. Exceptions may be made for other VA beneficiaries when it is determined that the beneficiary's medical condition justified the use of a specialized mode of transportation.

Question 9. If the beneficiary travel restrictions were not to be accomplished legislatively, please discuss the steps you would propose to define the scope of the restriction administratively, especially with regard to protecting the reimbursement rights of service-connected veterans.

Answer 9. I have asked my General Counsel to take a further look at the beneficiary travel issue to advise me as to the scope of any discretion to impose further restrictions in this area.

Question 10. With respect to the provision contained in section 501(40) of appropriations bill H.R. 4034 limiting the funds available for the Office of Program Planning and Evaluation, how does this office presently stand with respect to its fiscal year 1982 budget, the possible need for supplemental appropriations, and the fiscal year 1983 budget request?

Answer 10. The Office of Program Planning and Evaluation (PP&E) is presently operating with a $1.5 million fiscal limitation. The Administrator has realigned three previous PP&E functions into other offices totaling 13 FTEE's and $634,000 (Major Systems Acquisition, Emergency Management, and Consumer Affairs) as one step in meeting the limitation.

Informal discussions with the Appropriations Committees concerning the removal of the limitation have occurred. The proposal is to add a provision to the continuing resolution to lift the limitation. If the limitation is removed, funding of $710,000 is available within the appropriation to fund the office for the remainder of the year.

An additional $90,000 may be requested as part of an Agency supplemental request related to the October 1981 comparability pay increase for Federal employees if the limitation is lifted. This will allow for continued functional operation through fiscal year 1982; however, this will not allow for travel, training or promotions for the balance of fiscal year 1982. Without the removal of the limitation, the office will cease operations in late May.

The office's fiscal year 1983 budget requests continued funding at fiscal year 1981 levels with an increase related to development and implementation of an Agency integrated management system, provision for the October 1981 comparability pay increase, and normal promotion, within-grade and merit pay increases.

Question 11. With regard to the $150 plot allowance provision that was left intact at the time that last year's burial benefits restrictions were enacted, you will recall that we did so in order to preserve the VA's ability to gather veteran mortality data through the administration of such programs. Are there any alternative methods of maintaining this recordkeeping function while reducing or, preferably, eliminating altogether the plot allowance, as we had expected to do last year?

Answer 11. We know of no satisfactory alternative methods for maintaining a record of the death for veterans. Continuation of the plot allowance allows the VA to gather information from a variety of sources including funeral directors, relatives, et cetera. To this information received in connection with the plot allowance is added information from the VA cemetery system.

Question 12. I am dismayed at the lack of a request for funds to continue the implementation of the nurses' scholarship program. This fact, also pointed out in both the VFW's and the DAV's testimony, suggests a complete lack of recognition of the seriousness of the VA's nursing shortage. Please comment.

Answer 12. The severity of the VA nurse shortage is recognized. The scholarship program is but one of several major initiatives directed toward alleviating the VA nurse shortage. Through support from Public Law 92-541, 21 VA nurses currently are in three graduate education programs in nursing administration at Columbia University, Teachers College, New York; University of Alabama, and Pittsburgh University. Increased initiatives and heightened efforts in recruitment have yielded 68 new hires since December 1981. Applicants have been hired at 27 VA medical centers through use of: (1) An "800: toll-free number; (2) Reader's Service Label Referral Plan in journals of nursing; and (3) Local job fairs.

The liberalization of compensatory time for nurses has afforded more flexible scheduling of nurses' duty time. Sixty-six VAMC's currently have raised minimum entrance salary rates. Twenty-one VAMC's have expanded salary range for nurses in locations where the shortage is acute.

The scholarship program, although very important, is also subject to competition in the budget process for scarce resources. For fiscal year 1983, it was felt the scholarship program was a lower priority than other activities with a more immediate effect on patients in VA health-care facilities.

Senator **Cranston**. Bob, I welcome you. Again, I am delighted to have this chance to meet with you and to hear from you. Don, it is good to see you again. Connie. And I welcome John Murphy; I am glad another Californian is involved with this.

I will not make any remarks of any length at the outset of what I want to do. I believe at this time it would be somewhat premature for me to take any position on the funding levels and the legislative proposals on which this budget is based. I want to hear and consider carefully and fully the views of the Veterans' Administration, as well as the veterans' organizations prior to reaching any judgments.

I encourage those organizations that are not testifying today to present their views on the budget as soon as they can to the committee. There are many questions I have relating to the proposed budget and I want to have answers before I formulate my own views.

I have enough questions to take until about 6 o'clock, but perhaps happily for you, I have to leave at 3:15, so I am going to have to be very brief. Quite a few of them will be submitted in writing.

I want to note that I recognize that this hearing comes very soon after the release of the budget and that all the necessary backup may not be available yet or completed. I urge the VA witnesses to do the best they can to educate us and to feel free to amplify your remarks in writing.

I hope that information can be made complete and gotten to us by next Friday, so we can adequately prepare for our budget markup which is scheduled for March 3.

Please try to be brief because we only have a bit more than 10 minutes for the few questions I will be able to ask now.

The Budget Committee asks that our report to them include projections for fiscal 1984 through 1987 as well as for fiscal 1983. In past years we have met such requests by providing a staff analysis of the outyear projections. That appears to have been satisfactory. I think it is likely we will continue that practice this year.

In any event, one of the difficulties of preparing such an analysis has been obtaining baseline data for the outyears with respect to the nonentitlement accounts. Thus, I would like to ask you, Bob, if you would be so kind as to have prepared, as a form of technical assistance to the committee, projections of the GOE, health care and construction accounts based on the set of assumptions that committee majority and minority staffs would jointly develop and provide.

I presume you can do that?

Mr. **Nimmo**. Yes, we will.

Senator **Cranston**. In light of the time constraints that we are operating under and the need to submit our report a week early this year, I would like to ask also that the VA provide answers for the record as quickly as possible and not to wait until all answers are ready for submission before submitting any. Give us batches of them.

I trust you can do that also?

I have noticed a totally new approach to preparing the budget materials and arriving at a bottom line for your appropriation requests. That is, this year, unlike prior years, the savings estimated for each legislative savings proposal that would affect your appropriations, if enacted, have already been subtracted from the requested appropriations total, however, each proposal for legislative increases, including the prepared 8.1 percent compensation cost-of-living increase, is not reflected in the appropriations request.

What was the purpose and what was the intent in developing the budget documents in that new way?

Mr. **Hoffman**. Senator Cranston, this was done at the direction of OMB. This is the first year that savings legislation is reflected as an offset against the appropriations. Obviously, if the legislation is not enacted, there will be a requirement for an add-back or a supplemental.

As for those legislative items which have a cost increase impact, they are reflected in the manner in which they have been submitted in prior years.

Senator **Cranston**. What do you expect to achieve as a result of this change through the appropriations process and the budget process?

Mr. **Hoffman**. I think the administration anticipates passage of this legislation in the manner in which legislation was handled in the Reconciliation Act, as an offset against the appropriations total.

Senator **Cranston**. Is it fair to say that you are, in effect, attempting to achieve legislative changes through the appropriations process in a way that circumvents the authorizing committee?

Mr. **Murphy**. Mr. Chairman, it is not an attempt to circumvent the authorizing committee, because many of the provisions would require legislative authority or changes which this committee would have to consider.

Senator **Cranston**. Do you intend to request the Appropriations Committees to add any legislative riders to the appropriations bill to make the entitlement changes that you propose?

Mr. **Murphy**. I am not sure what your intent is in referring to the entitlement changes we are proposing, Senator.

Senator **Cranston**. Well, you are proposing entitlement changes which would require legislation. So, do you propose to do that by attaching such legislation to the appropriations acts?

Mr. **Murphy**. We do not propose such action.

Senator **Cranston**. Will you request the Appropriations Committee to add back the $234 million in entitlements if Congress has not legislated these cuts by the time the Appropriations Committee marks up?

Mr. **Hoffman**. I would like to say, Senator, that in the event that the action was not taken, there would be a requirement for an add back or a supplemental.

Senator **Cranston**. Later on in the next fiscal year?

Mr. **Hoffman**. It might have to be later in this fiscal year, yes, sir.

Senator **Cranston**. What impact did these built-in reductions have on your projected caseloads in the compensation, pension, and readjustment benefits programs for fiscal 1983 and, as a result, on the GOE appropriations request?

Ms. **Starbuck**. Senator Cranston, there was no effect on the caseload in the programs. The only effect on GOE is in the decrease in our educational workload and some decrease in our loan guaranty workload. This is how the general operating expenses total went down.

Senator CRANSTON. Would you please provide for the record a detailed answer giving the effect on caseloads and GOE for each of your legislative savings proposals separately?

Ms. STARBUCK. Be very pleased to, Senator.

Senator CRANSTON. Thank you.

[Subsequently, the Veterans' Administration submitted the following information:]

DEPARTMENT OF VETERANS BENEFITS GENERAL OPERATING EXPENSES PROPOSED LEGISLATIVE SAVINGS

Proposal	Workload	Fiscal year 1983 GOE savings
1. Payment of compensation and pension benefits to the 1st full month of entitlement.	No impact	Insignificant.
2. Amend the end of year rule to end of month	No impact	Insignificant.
3. Issue pension benefit checks in even dollars	No impact	Insignificant.
4. Eliminate the 50 percent employment requirement of a course with a vocational objective.	Eliminates a review process	−14 FTE; −$223,000.

Senator CRANSTON. In view of the extensive revisions contemplated in the legislative proposals on the basis of which your appropriations requests have been reduced by $234 million, will you be sending up to the Appropriations Committee formal revisions of the administration request?

Mr. HOFFMAN. Senator, would you repeat that question? I'm sorry.

Are you asking in the event that there is not passage of the legislation would we——

Senator CRANSTON. No; there are extensive revisions contemplated in the legislative proposals on the basis of which your appropriations requests have been reduced $234 million, right?

Mr. HOFFMAN. There may be some revisions.

Senator CRANSTON. Well, will you be sending up to the Appropriations Committee formal revisions of the administration's request in view of those changes?

Mr. NIMMO. May we respond to that for the record, Senator?

Senator CRANSTON. All right. Sure.

Mr. NIMMO. I am not sure that we fully understand the question.

Senator CRANSTON. OK. If you do submit a formal revision, I would like copies for the record. So provide a written answer whether you are going to do it or not.

[Subsequently, the Veterans' Administration submitted the following information:]

At the present time, we do not anticipate the submission of a formal revision to the Appropriations Committee.

Senator CRANSTON. The VA's fiscal year 1983 budget includes a proposal to require veterans to pay a one-half of 1 percent loan processing fee at the time of settlement on each VA guaranteed loan. This proposal, which the "Major Themes and Additional

Budget Details" document, calls a home loan guaranty user fee, is estimated to generate $95 million in receipts for the U.S. Government to help defray the administrative and operating costs of the VA's home loan guaranty program.

It seems to me that if this proposal were to be enacted we would be asking, or rather, we would be requiring veterans to buy the right to use this benefit. Unlike other user fees which are for services that are provided to certain consumers and subsidized by all taxpayers, the VA home loan guaranty is a benefit earned by individuals who have served in the Armed Forces. In essence, we would be saying to the Nation's veterans: "Yes, you can have the benefits you earned through your contribution of honorable service to your country, but only if you pay a fee."

It seems to me that this proposal represents a major departure from the basis of veterans' benefits; that is, that they are benefits earned by virture of service to the country and are not gifts.

Would you please comment on that?

Ms. **Starbuck**. This is really, Senator, a reinstitution of a prior users' fee which was in effect for a short period of time. When this was proposed, we had proposed that it go into the revolving fund loan for loan guaranties. However, as I mentioned previously, it has been decided that this would go into the general fund of the Treasury and not be available to the agency.

We found that during the times that there was a one-half of 1 percent user fee in effect, that that fee in no way altered the participation in the loan guaranty program.

Senator **Cranston**. Well, the rationale——

Ms. **Starbuck**. As you are aware, Mr. Chairman, this is part of the administration's budget program, and an attempt to reduce the total outlays of the Government. We felt that this was not an unreasonable request, particularly if the fee were to go into the revolving fund, since it had been in effect in a prior period of time and had not impacted on participation in the program.

Senator **Cranston**. The rationale to substantiate the home loan user fee is that the VA's home loan program is a benefit provided to the select group, and that that group should bear the cost of providing the benefit. Based on that rationale, I don't understand what distinguishes the home loan guaranty from, for example, VA health care, interment in a national cemetery, or GI bill benefits, or even for that matter, VA compensation, since they are all benefits provided for a select group.

Why not also propose user fees to cover the cost of providing health care for those with service-connected disabilities, for maintaining national cemeteries and burying veterans who die from service-connected disabilities, for processing their GI bill benefits, and for the operation of the VA claims adjudication system? Are there any such proposals on the horizon?

Mr. **Nimmo**. None, sir.

Ms. **Starbuck**. No, sir.

Senator **Cranston**. Well, if you would give us, for the record, a philosophical statement of the differences between the program for which these fees are being proposed and the other programs that I suggested.

[Subsequently, the Veterans' Administration submitted the following information:]

While there are no "proposals" on the horizon, the 1983 request for the appropriation Medical Administration and Miscellaneous Operating Expenses includes $500,000 for a contract to study the feasibility of collecting fees for user charges for medical services received at VA health-care facilities by non-service-connected beneficiaries who are not in receipt of a VA pension.

Senator CRANSTON. Would the fee be waived for service-connected disabled veterans?

Mr. NIMMO. No, sir.

Senator CRANSTON. Pardon?

Mr. NIMMO. No.

Senator CRANSTON. Would not be?

Mr. NIMMO. Would not be.

Senator CRANSTON. What are the projected GOE costs associated with the program in fiscal 1983?

Ms. STARBUCK. In the loan guaranty program?

Senator CRANSTON. With the entire loan guaranty program.

Ms. STARBUCK. About 1,950 GOE, if my memory serves me correctly. I have my book right here. It's about 1,950.

Senator CRANSTON. That would be for staff. But the basic cost of the program.

Ms. STARBUCK. $48 million, Senator Cranston.

Senator CRANSTON. Well, if it is $48 million, why are we going to impose a fee that produces $95 million?

Ms. STARBUCK. The fee, sir, goes into the revolving fund. The $48 million that I referred to is under general operating expenses associated with this activity.

Senator CRANSTON. I thought you said the fee was returned to the Treasury; it doesn't go into the operating fund. It goes back to the Treasury.

Mr. HOFFMAN. That is correct, sir.

Ms. STARBUCK. That is correct, sir. It is returned to the Treasury as miscellaneous receipts.

Senator CRANSTON. So it doesn't go into the revolving fund?

Ms. STARBUCK. No, sir. It does not.

Senator CRANSTON. Well, then how do you justify 95 in earnings against $48 cost?

Ms. STARBUCK. The $48 million in costs comes out of general operating expenses and this operates the loan guaranty program throughout the system.

Senator CRANSTON. Yes, but the rationale for charging the fees is to defray the cost. And you are seemingly doing much more than that.

Ms. STARBUCK. Well, Senator, it was originally our intent that the fee collected would go into the revolving fund. However, it is now targeted to go into General Treasury funds.

Senator CRANSTON. Do you think the viability of the program is diminished if the money goes back to the Treasury instead of going into the revolving fund?

Ms. STARBUCK. Over a period of time, Senator, it could have some adverse impact on the loan guaranty revolving fund. Yes, sir.

Senator **Cranston**. Well, I would like to go into that more but I cannot at this time. And I have other questions that we will submit to the record.

I am sorry we now have to adjourn this hearing. If you can remember to get responses to us by next Friday.

Thank you all very much for your cooperation.

Ms. **Starbuck**. Thank you, Senator.

[Whereupon, at 3:15 p.m., the hearing was concluded.]

[The response of the Veterans' Administration to written questions submitted by Hon. Alan Cranston, ranking minority member of the Senate Committee on Veterans' Affairs; written statements and letters received by the committee for the hearing record follow:]

RESPONSE OF THE VETERANS' ADMINISTRATION TO WRITTEN QUESTIONS SUBMITTED BY HON. ALAN CRANSTON, RANKING MINORITY MEMBER OF THE SENATE COMMITTEE ON VETERANS' AFFAIRS

Question 1.A. Your proposal indicates that the amount of the loan guaranty "user" fee would be computed as a percentage of the amount of the loan -- and not as a percentage of the guaranty. Why did you choose to base the fee on the amount of the loan rather than the amount of the guaranty that the VA is providing?

Answer 1A. We believe it is more equitable to base the funding fee upon the loan amount (as was done under the prior law) than the guaranty amount. As of January 1982, the average VA home loan amount was approximately $56,200, whereas the average guaranty was approximately $23,500. If the funding fee were to be based upon guaranty amount rather than loan amount, this could result in some lower-income veterans who are purchasing moderately-priced homes paying a higher fee than under the current proposal. We further note that all loans in excess of $45,833 receive a maximum guaranty of $27,500. If the fee were based upon the guaranty, the fee paid by veterans purchasing homes in the high $40,000 to mid $50,000 range would be a substantially higher percentage of their housing cost than for veterans purchasing homes costing well over $100,000.

The Veterans Readjustment Benefits Act of 1966 (P.L. 89-358) instituted the charging of a funding fee of one-half of one percent of the loan amount to post-Korean veterans using their loan guaranty benefit. The fee was remitted to VA after loan closing and was credited to the Loan Guaranty Revolving Fund to offset losses sustained due to foreclosures. The charging of a fee to post-Korean veterans only was in keeping with the interests of Congress and others in distinguishing between "hot war" veterans of World War II and Korea and those "cold war" veterans who entered service after January 31, 1955. The Veterans Housing Act of 1970 (P.L. 91-506) eliminated the funding fee.

B. Why are these user fees to be returned to the Treasury rather than to the VA?

Answer 1B. Funds collected will be deposited in the Treasury of the United States as miscellaneous receipts. As proprietary receipts these revenues will be credited as offsets to the Veterans Administration budget authority and outlays.

C. If this fee were to be enacted, wouldn't it make sense to deposit in the loan guaranty revolving fund any amount of receipts collected in excess of the costs associated with the administrative costs of the loan guaranty program so as to insure the solvency of that fund out of which the guaranty is paid in the event of default?

Answer 1C. It is the Administration's position that, from an overall budgetary standpoint, crediting these funds to miscellaneous receipts is preferable to crediting them to the Loan Guaranty Revolving Fund.

Question 2. I note that you are planning to award a half-million dollar contract in FY 1983 to study the feasibility of collecting fees from certain non-service-connected veterans for VA health care.

A. What range of fees are you considering?

Answer 2A. We are not considering any particular range of fees at this time. We have just begun considering the merit of the user fee issue as it pertains to activities of DM&S. The parameters of the proposed study have not been formulated to date. Whether we develop a particular range, a sliding scale of fees, or criteria for applying such fees, will be dependent upon the proposed study's findings, the consultant's recommendations, and other policy considerations in the Agency.

B. Did this concept originate in the VA or in OMB?

Answer 2B. The concept of applying user fees was originated in OMB. It is consistent with one of the major themes of the 1983 budget and with a policy that is currently being used at the Department of Defense.

Question 3. The President's budget states on page 5-65 that the Federal role in the commerce and housing credit area is to "reduce federal involvement in the nation's credit markets to help relieve pressure on interest rates" and to "reduce the size of current federal credit programs as one contribution to this end." What are the implications of these Federal policies for the VA home-loan guaranty program?

Answer 3. While we cannot answer this question with any specificity, it is reasonable to assume that there could be some reduction in the funds available.

Question 4. The Reagan Administration is proposing a major reduction in Federal loan guarantees including a $20 billion reduction in the commitment level of the Government National Mortgage Association's program. What impact will this reduction have on the availability of VA-guaranteed loans for veterans?

Answer 4. If the commitment level for Government National Mortgage Association budget is approved as submitted we expect some reduction in the availability of mortgage credit for VA guaranteed loans.

Question 5. According to the "Major Themes" document, the average home loan guaranteed by the VA is about $57,000 and the fee would thus average about $258. If the fee were added to the loan, how much would the veteran ultimately pay to the holder of the loan for that fee throughout the life of a 30-year, $57,258 loan at 16.5 percent interest -- the current rate for VA loans?

Answer 5. Under the hypothetical situation you pose, the veteran would pay approximately $1,272 over the life of the loan with respect to the fee. We must note, however, that the legislation VA is proposing provides for the fee to be paid in cash at closing, and would not permit the fee to be financed.

Question 6. It is my understanding that the President's budget also contains proposals to provide for a free-floating interest rate or an expansion of the experimental negotiated rate programs applicable to FHA-insured housing loans.

A. In the past, the FHA and the VA interest rates have generally moved up and down in concert. If the FHA adopts a free-floating interest rate policy, would the VA follow suit?

Answer 6A. VA has no plans at this time to adopt a free-floating interest rate policy. However, we plan to closely monitor the FHA program.

B. [If yes] Would the maximum floating interest rate be the market rate or would it be lower in light of the VA's guaranty?
[If no] What impact would this change in FHA interest rate policy have on the VA loan guaranty program, if any?

Answer 6B. We believe that FHA's new interest rate policy will have no effect on VA's Loan Guaranty Program.

With respect to readjustment benefits, it is not clear what your legislative proposal is with regards to dependents' allowances. The budget Appendix states that it is to "eliminate ... subsistence allowance for the dependents of vocational rehabilitation trainees." The budget itself states that the proposal is "to eliminate the payment of certain dependents allowances to veterans in vocational training programs who also are receiving dependency allowances under the compensation program." These are two quite different propositions.

Question 7. Are you proposing to eliminate the chapter 31 dependents' allowance entirely or just for those also receiving a compensation dependents' allowance?

Answer 7. We propose eliminating the chapter 31 dependents; allowance entirely. The chapter 31 enrollee would continue to receive a subsistence allowance at the single veteran rate and their training would continue to be fully subsidized. It is anticipated that approximately $1,540 of tuition, books, fees and supplies would be subsidized for the average chapter 31 trainee during FY 83. The chapter 34 participant would have to be responsible for these expenses. Therefore, with this level of training support, eliminating the chapter 31 dependent's allowance should not constitute a hardship for the chapter 31 trainee nor deter their participation in the vocational rehabilitation program.

Question 8. Does your proposal pertain only to the chapter 31 voc rehab subsistence allowance, or would it also cover vocational training under the GI Bill for participants also receiving disability compensation?

Answer 8. Our proposal, in the Veterans' Rehabilitation and Education Adjustment Act of 1982 and recently transmitted to the Congress, pertains only to the chapter 31 vocational rehabilitation subsistence allowance, outlined in section 1508, title 38.

Question 9. In the case of a service-connected disabled veteran with dependents who is enrolled in a chapter 31 rehabilitation program full-time and who is receiving no or a very small dependents' allowance under the compensation program, doesn't he or she have as much need for a chapter 31 dependents' allowance as, for example, does a veteran pursuing GI Bill training for a chapter 34 dependents' allowance?

Answer 9. We do not believe a veteran enrolled full-time in chapter 31 training and receiving no or very small dependents' allowance has the same need for a dependents' allowance as his or her chapter 34 counterpart because under chapter 31 the trainee's tuition, books, fees and supplies are fully subsidized. The chapter 34 participant does not receive a training subsidy and would have to be responsible for these expenses. Therefore, with this level of training support, eliminating the chapter 31 dependents' allowance should not constitute a hardship for chapter 31 trainees nor deter their participation in the vocational rehabilitation program.

Question 10. Don't we need to look at the philosophy of doing all possible to get the disabled veteran into productive work and possibly off of reliance on disability compensation, or at least to reduce that reliance?

Presumably, we are paying a rehabilitation subsistence allowance over and above the cost of training in order to encourage that rehabilitation. It seems to me you are suggesting that we are overpaying those with the most severe disabilities, that is, that the rehabilitation rate makes sense for the lower rated disabilities but not for the higher rated and that it's the basic subsistence allowance itself not the dependents' allowance that you are questioning as a double payment. Am I correct?

Will your next proposal be to reduce or eliminate the rehabilitation allowance itself for those getting substantial compensation payments?

Answer 10. Yes.

Question 11. With respect to your proposal relating to veterans who have ratings of "individual unemployability", the "Major Themes" document of the budget package states that the proposal is to "eliminate the current provision of law which provides payment at the 100% rate to veterans who are rated between 60 and 90 percent disabled and who are judged to be 'unemployable' ...."

A. Can you give me a citation to the provision of law you propose to eliminate?

B. [If no] Since the individual unemployability factor is not set forth in law, why couldn't the policy change you propose be done administratively?

Answer 11A & B. There is no provision in law to be eliminated. We are proposing legislation to authorize the offset of other Federal benefits in the award of compensation at a rate which includes unemployability.

Question 12. I am confused as to what your proposal is that would affect veterans receiving 100% compensation based on a finding of unemployability. The "Major Themes" document states, as I already noted, that the rates of 100% on the basis of unemployability would be eliminated. the budget itself says that it is proposed to eliminate "the payment of compensation at the 100% rate to veterans who are 60% to 90% disabled and deemed unemployable, if those veterans are also collecting social security disability, Supplemental Security Income, or Federal retirement payments". Also, unlike the "Major Themes" document, which discusses this proposal in the context of fiscal 83 "changes", the budget indicates that this is a fiscal year 1984 proposal. Finally, neither the budget Appendix nor the VA budget documents themselves make any reference to this proposal.

A. To help clarify this situation, could you please state precisely what is your proposal?

Answer 12A. It is proposed that if a veteran is assigned a total rating on the basis of individual unemployability resulting from service connected disability, consideration will be given to whether the veteran is receiving other Federal benefits based on disability or retirement. Effective October 1, 1983, the veteran's 100% compensation rate based upon unemployability, would be reduced by the amount of the other Federal benefit but never below the amount payable on the basis of the veterans' schedular rating.

B. Why is a 1984 proposed reduction set forth in the FY 83 budget documents in a manner that would -- particularly in the "Major Themes" document -- suggest that fiscal year 1983 savings are to be achieved?

Answer 12B. Enactment of this proposal at an early date is necessary in order for the proposal to result in savings in fiscal year 1984. The October 1, 1983 effective date has been requested in order to provide sufficient lead time to prepare, publish in the Federal Register, receive approval, and distribute the regulations needed to implement the change. Time will also be needed to arrange for the exchange of information with other Federal agencies and prepare computer procedures to accomplish the offsets. Affected veterans will need to be informed and information requested from them in advance of the effective date of the change.

Question 13. The "Major Themes" document indicates that it is estimated that this proposal would affect about 54,000 veterans.

A. Is this the total number of veterans receiving compensation at the 100-percent rate because of unemployability, and if not, what is that total number?

Answer 13A. There were approximately 54,000 veterans receiving compensation based on unemployability who were also receiving disability or retirement Social Security as of March 1981. A total of 105,472 veterans were receiving compensation based on unemployability as of December, 1981.

B. Please provide for the record a breakdown indicating how many veterans receiving compensation at the 100-percent rate due to unemployability have disabilities rated 60%, 70%, 80%, and 90%.

Answer 13B. 41,108 are rated 60 percent, 34,867 are rated 70 percent, 19,265 are rated 80 percent, 7,958 are rated 90 percent. 2,274 have other ratings.

Question 14A. How many veterans receiving compensation at the 100-percent rate based on unemployability are also receiving social security disability?

Answer 14A. 28,194 as of March 1981.

B.(i) Do you know how many are also receiving SSI?

Answer 14B(i). We do not know how many may be receiving SSI.

(ii) Since SSI is a rather narrowly defined needs-based program, doesn't it seem unlikely that many veterans are in receipt of SSI benefits as well as 100 percent compensation since the compensation alone would total $13,560 annually?

Answer 14B(ii). Yes. We believe few, if any, unemployable-rated veterans are also in receipt of SSI.

C.(i) With respect to those also receiving Federal retirement benefits, which specific forms of benefits do you propose to include?

Answer 14C(i). All Federal disability and retirement benefits would be included, for example, Social Security, Civil Service, Black Lung, Railroad Retirement.

(ii) How many veterans receiving the 100-percent rate are also receiving each of those benefits?

Answer 14C(ii). We have no information regarding the number of veterans who are receiving benefits based on unemployability and who are also receiving Federal benefits other than Social Security.

Question 15 A. What is your philosophical justification for eliminating compensation based on unemployability if the veteran is in receipt of social security disability?

Answer 15A. Many Federal programs provide benefits for persons who are disabled or who are of retirement age. When a service-connected disabled veterans is in receipt of such benefits, the payment of additional compensation over and above the amount payable on the basis of the veteran's schedular rating is an unwarranted duplication.

B. What is your justification with respect to SSI benefits?

Answer 15B. The justification is identical. However, as previously indicated, we believe few, if any, unemployable-rated veterans are in receipt of SSI.

C. What is your justification with respect to Federal retirement benefits?

Answer 15C. The justification is identical, as previously stated.

D.(i) I assume that if, for some reason, the other form of Federal assistance were to cease, a veteran could be re-evaluated for the purposes of determining eligibility for 100-percent compensation based on unemployability. Is that a correct assumption?

Answer 15D(i). Yes

(ii) [If yes] Would that happen automatically?

Answer 15D(ii). Redeterminations of the rate payable would take place as soon as the VA was notified of the termination of the other Federal benefit. This notification could be furnished by the Federal agency concerned or by the veteran, subject to confirmation.

Question 16. Under your unemployability proposal, in addition to the reduction in compensation benefits payable to single veterans now rated at 100-percent on grounds of unemployability, would veterans with dependents also have their dependents' allowances proportionately reduced?

Answer 16. Yes, except that in no case would the veteran's compensation, including dependents' allowances, be reduced below the amount payable on the basis of the veteran's schedular rating.

A. Also, in some cases, would eligibility be lost for chapter 35 educational assistance for spouses and children?

Answer 16A. Eligibility for chapter 35 would not be lost since the determination regarding basic entitlement to the unemployability rating would continue to be made in each case. The proposed change would affect only the amount payable, not the basic determination regarding individual unemploy ability.

B. [If yes] Are the cost savings for these two situations reflected in the savings projected for FY 1984 and beyond the elimination of the individual unemployability rating?

[If not] Please provide them for the record.

Answer 16B. As previously noted, our proposal does not encompass elimination of the individual unemployability rating. The other Federal benefits will be subtracted from the total rate payable, including the additional amount for dependents. The cost savings previously projected were based on this presumption. No cost savings in Chapter 35 will be involved as Chapter 35 eligibility will not be affected.

C. Would veterans who have had ratings of 100-percent on grounds of unemployability for 20 years be subject to the reduction?

Answer 16C. **Yes. Section 110 of title 38, United States Code, provides for the protection of ratings. As previously noted, we do not propose to alter the unemployable-rated veteran's rating. Protection of that rating, afforded by virtue of section 110, would not be affected, but compensation received by veterans whose ratings are protected would be subject to reduction.**

Question 17. Given the substantial clarification of this proposal that you have provided, would you please provide for the record as soon as possible a detailed revised cost estimate showing all assumptions? Please do that also for each of the other legislative proposals as soon as possible.

Answer 17. A listing of the legislative proposals with cost estimates and assumptions used are as follows:

Offset of 100% rate for unemployability by other Federal benefits

This proposal is estimated to realize a $282.5 million savings, affecting 54,200 veterans in FY 1984. The estimate is based on the actual number of veterans receiving compensation based on unemployability and the amount of social security retirement or disability payments paid to these veterans. The data used in computation of the estimate is as of March 1981.

The savings was estimated by multiplying the projected number of veterans affected (54,200) by the average monthly social security payment ($369, increased by the anticipated rise in 1984 Social Security payments due to COL adjustments). There are no additional savings shown as a result of other Federal disability or retirement benefits due to lack of data, but it could be assumed that the savings would be greater.

Redefine dependent school child for Pension purposes

This proposal would result in $13.4 million savings in FY 1983, assuming an effective date of October 1, 1982. This proposal was costed in the following manner:

1) Five years of actual caseload and cost data were used to project the five-year caseload and cost of the "Child" portion of the Pension programs which will be affected by this proposal. The current estimate is that benefits to 128,700 children aged 18 to 23 will cost $33.7 million in FY 1983 and will decline to 95,400 children costing $22.6 million in FY 1987.

2) The portion of this proposal that would prohibit entry into post-secondary schools for children aged 18 and over was estimated to be one-fifth or 20% of the projected 18 to 23-year-old population and costs, shown above. The expected impact of this provision in FY 1983 is a reduction of 25,700 students saving $6.7 million. The savings will decrease to $5.1 million and 19,100 students in 1987.

3) The portion of this proposal that would lower payments to those post-secondary students remaining entitled would reduce benefits 25% for 103,000 students with a savings of $6.7 million in FY 1983. There are projected to be 76,300 students losing all benefits resulting in $20.5 million in savings in FY 1987.

4) The reductions found in 2) and 3) were summed to arrive at the total savings of the proposal.

Amend "End of Year" to "End of Month" rule for veteran's divorce or payee's dependent's marriage or death in the Compensation or Pension programs.

The savings in FY 1983, assuming an effective date of October 1, 1982, would be $1.4 million in Compensation and $1.8 million in Pensions. The following statistics were applied to the appropriate caseloads in the Compensation and Pension programs:

- 5 divorces per 1,000 marriages (1979 Statistical Abstract of U.S.).
- 6 child deaths per 10,000 children (1979 Statistical Abstract of U.S.).
- 6.3 child marriages per 100 children (1979 Stastical Abstract of U.S.).
- Deaths of spouses by war period of veterans - subtracting 3 years from average age of veteran and applying mortality tables.

The resultant affected caseload was multiplied by a half year average payment for the type of dependent, as it was assumed that the causes of dependency change would be evenly distributed throughout the year.

Pay only first full month of entitlement for Compensation and Pensions

The savings in FY 1982, assuming an effective date of July 1, 1982 would be $1.0 million in Compensation and $2.4 million in Pension. It was assumed that the average award would be dated the middle of the month as the awards should be evenly distributed throughout the month. The cost of the proposal was arrived at by multiplying a half-month average award by the number of accessions expected in the 3 months covered by the proposal.

Issue Pensions checks in even dollars

The savings in FY 1982, assuming an effective date of July 1, 1982, would be $1.4 million. It was assumed that benefit checks would average to 50¢ for rounding purposes as the check amounts should be evenly distributed from 1¢ to 99¢. The savings estimate of the proposal was arrived at by multiplying the average caseload by 50¢ for the 3 months covered by this proposal.

Elimination of Correspondence Training

The savings would be $5.6 million and 25,520 trainees in 1983. These were the totals expected to train 1983 under existing legislation. It was assumed that these trainees would not train under some other program since so many of them appear to take correspondence training for avocational purposes.

Elimination of Subsistence Allowance for Chapter 31 dependents

There would be a savings of $19.7 million in FY 1983. It is estimated that the average Chapter 31 trainee has 1.6 dependents or that slightly under 27% of subsistence costs represent payment for dependents. This percentage was applied to the estimated subsistence payment to arrive at the $19.7 million savings. It was assumed that this reduction in payment would not deter disabled veterans from entering this program.

Question 18. With respect to your proposals to change the end-of-year rule to an end-of-month rule for the effective dates of reductions in compensation and pension awards when the dependency status of a dependent ceases and to delay until the first full month the effective dates of awards of compensation and pension, I'd like to know how these changes would equate to similar effective date provisions under other, non-VA programs, such as social security and SSI.

A. What are the effective dates of award reductions in the social security and SSI programs?

Answer 18A. We are researching the law regarding the effective dates under Social Security and SSI.

B. What are the effective dates of awards and award increases under the social security disability insurance and SSI programs?

Answer 18B. We are researching the law regarding the effective dates under Social Security and SSI.

Question 19. In connection with your proposal regarding rounding down of VA pension checks, I'd note that section 3112 of title 38 provides that whenever pension rates and limitations are increased on account of an increase in social security that "the Administrator may round such rates and income limitations in such manner as the Administrator considers equitable and appropriate for ease of administration." In light of this authority, why do you believe that you need further legislation to round down?

Answer 19. We interpret section 3112 as providing authority only for rounding rates and income limits based on the yearly cost-of-living increase. It does not provide authority for rounding actual pension payments based on such rates. In addition, the dropping of the cents from each check would result in the payment of less than the full rate otherwise authorized as a yearly income limitation. This relatively small reduction in benefits is more than a rounding of rates or limits.

Question 20. With respect to the proposal to amend the definition of dependent children for purposes of the pension program, the "Major Themes" document states that the proposal is "to provide payments for dependent students in secondary schools only up to the age of 19" and that "students beyond secondary school would not receive benefits past the age of 18". The VA budget documents state that the proposal is to "amend the definition of dependent children to stop benefit payments to school children over the age of 19".

A (i). Precisely, what is your proposal?

Answer 20A(i). The definition of "child" would be amended to include children up to age 19 if attending secondary school but would not include those attending post-secondary training beyond age 18. Children attending post-secondary training as of the date of the change would remain entitled but certain reductions and limitations would be applied to their benefits, similar to those applied under the Social Security program as a result of the enactment of the Omnibus Budget Reconciliation Act of 1981.

(ii) Are the cost-savings associated with your proposal, as set forth in the President's budget, accurate?

Answer 20A(ii). No. The proposal was modified after the budget materials went to press.

(iii) Please provide for the record a revised description, justification, and cost estimate, including all assumptions.

Answer 20A(iii). The current VA proposal as discussed earlier, has legislative language which would pattern the definition of a child pension recipient to that of Social Security. Features of the legislative language include:

a) No benefits payable after age 18 for post-secondary schooling after September 1982

b) Benefit extended to age 19 for secondary school children

c) Those in college in September, 1982 are grandfathered but receive 25% benefit cut in FY 1983, 50% benefit cut in FY 1984, 75% benefit cut in FY 1985 and are terminated after July, 1985.

The five-year cost savings estimate is as follows:

Fiscal Year	Students Losing Entitlement by Reaching Age 19	College Students receiving reduced payments	Savings
1983	25,700	103,000	$13.4 million
1984	23,600	94,200	18.1
1985	21,700	86,200	21.7
1986	20,300	81,000*	24.6
1987	19,100	76,300*	22.6

* 100% reduction, or termination from program

(iv) Will you also submit a revised appropriations request?

Answer 20A(iv). We do not intend to submit a revised appropriation request for this item of proposed legislation at this time. Every attempt will be made to absorb the difference in savings.

B. Since your proposal appears then to be patterned after the changes made by the Reconciliation Act last year in the social security benefit for students, I think it is important to point out that that social security benefit is not a needs-based program and that the VA pension program is. Students in receipt of the social security benefit are not necessarily poor. However, students on whose behalf these VA benefits are paid are -- by virtue of the nature of the VA pension program -- legitimately poor. This seems to run counter to the Administration's often expressed policy of not cutting benefits for those who are truly needy. Would you comment?

Answer 20B. Non-service-connected pension is a needs based program which provides assistance to disabled or aged veterans and their dependents. We do not feel that adult college students should be included in the consideration of the dependents whom the veteran or surviving spouse has a continuing obligation to support. The children who would be affected will be of legal age in almost all jurisdictions and it is reasonable to expect them to secure the financial resources necessary to continue their schooling.

C. (i) Is it your belief, despite substantial cuts already made and more just proposed in other Federal assistance programs for higher education, that all of the students on whose behalf VA pension is paid would be eligible for some other form of educational assistance and that that form would be sufficient for them to continue their education?

Answer 20C(i). We are unable to answer this question.

(ii) [If so] On what do you base that belief?

Answer 20C(ii). We are unable to answer this question.

D. You estimate that the reduction would affect 105,000 dependents who would lose on the average about $290 a year. How many of these dependents are surviving children of veterans and, of that number, how many are orphans?

Answer 20D. The number of dependents we estimated is 103,000, which was rounded to "About 105,000..." in the "Major Themes" document. Of the 103,000 dependents we expect there will be 66,200 surviving children of veterans; 29,400 of whom, are considered "children alone," or orphans, and an additional 36,800 children living with a surviving spouse. The remaining 36,800 children are dependents of living veterans.

Question 21. In view of the extensive revisions you contemplate making in the legislative proposals on the basis of which your appropriations requests have been reduced by $234 million, will you be sending up to the Appropriations Committees formal revisions to the Administration's requests?

[If so] Would you please provide us with copies as soon as that is done?

Answer 21. The only legislative proposal that is being revised is the change in the definition of dependent child in the Pensions program. The revision will reduce the savings by approximately $17 million in 1983. We do not intend to submit a revised appropriation request for this item of proposed legislation at this time. Every attempt will be made to absorb the difference in savings.

Question 22. Another novel feature of your budget is that none of the documents indicate what the costs of the most recent civilian pay raise, including wage-board increases, are in the current fiscal year or how you plan to deal with those costs.

A. What are the October 1981 pay raise costs -- including wage-board increases -- for FY 1982 in each of the following accounts: GOE, Medical Care, Medical and Prosthetic Research, MAMOE, and Minor Construction?

Answer 22A. The total cost of the October 1981 civilian pay raise for both GS and wageboard in FY 1982 is $195,015,000, distributed as follows:

(dollars in thousands)

	GS	WB	TOTAL
GOE	$ 21,925	725	22,650
Medical Care	147,308	18,504	165,812
Medical & Prosthetic Research	4,244	74	4,318
MAMOE	1,070	...	1,078
Minor Construction	1,157	...	1,157
TOTAL	175,712	19,303	195,015

B. Mr. Nimmo, in your November 5, 1981, letter to me, you stated with respect to apportionments under the First Continuing Resolution:

> [T]hrough November 20, 1981, OMB has apportioned 100 percent of the pay raise costs for all appropriations, except for Construction, Minor Projects which was apportioned at only 50 percent. Therefore, we must absorb 50 percent or about $81,000 of those pay raise costs.

Please update that information with respect to apportionments under the subsequent continuing resolutions and the HUD-Independent Agencies Appropriations Act for 1982?

Answer 22B. The 2nd Continuing Resolution extended the provisions of the 1st, as described above, from November 21 through December 15, 1982. Provisions of the 3rd Continuing Resolution were superceded by the enactment of the appropriation bill on December 23, 1981. The apportionments for the appropriation bill include deficiency funding to cover the full cost of the October 4, 1981 pay raise in all five of the affected appropriations.

C.(i) Are the costs resulting from the physicians' and dentists' special pay increases, as authorized by Public Law 96-330, and the costs of raising the civilian pay cap reflected in your latest FY 82 budget estimates?

Answer 22C(i). Yes, they are reflected in the budget estimates.

(ii) What are those FY 82 costs in the medical care, research, MAMOE, and GOE accounts?

Answer 22C(ii). These costs total $95,945,000 in the following accounts:

($000)

	Spec. Pay	Pay Cap
Medical Care	$77,000	$15,145
Medical & Prosthetic Research	...	500
MAMOE	1,400	500
GOE	...	1,400
TOTAL	$78,400	$17,545

(iii) How do you plan to deal with those costs in FY 82?

Answer 22C(iii). The FY1982 budget provides $77 million to fund the Medical Care portion of the special pay incentive costs. The costs of the civilian pay cap and the MAMOE portion of the special pay will be realigned from within the available resources.

Question 23. With respect to the October 1981 pay raise costs under the GOE account, the VA budget documents state that a 1982 supplemental "will be transmitted at a later date".

A. What percentage of the pay-raise costs under GOE will that supplemental request cover, and will supplemental requests be transmitted for the other accounts as well and, if so, for what percentage of the pay-raise costs?

Answer 23A. At this time, my answer must intentionally be vague since no final decision has been made by the Administration about the funding of the pay raise. Indications I have received are that this decision will be made sometime in March. At that time, we will, of course, provide the details of the supplemental request it approved and when it will be transmitted to the Congress.

B. Since you have already received so-called deficiency apportionments in FY 82 for part of the pay-raise costs, isn't a supplemental appropriations request required by law -- at least to the extent of those deficiency apportionments? Please provide an authoritative legal opinion on that issue as soon as possible.

Answer 23B. I am not aware of any provision of law which requires the submission of a supplemental appropriation request to the Congress when a deficiency apportionment or reapportionment is approved by the Office of Management and Budget.

The Office of Management and Budget approved my request for the reapportionment of the appropriations "Medical Care," "Medical and Prosthetic Research," "Medical Administration and Miscellaneous Operating Expenses," "General Operating Expenses," and "Construction, Minor Projects" for Fiscal Year 1982, to provide for statutory pay increases which became effective in October 1981. These appropriations have been reapportioned on bases which indicate the necessity for supplemental appropriations in accordance with the provisions of the Antideficiency Act (31 U.S.C. § 665).

The Antideficiency Act, as well as other statutes, has been reviewed and I find no statutory requirement which requires the submission of a supplemental appropriation request to the Congress when a deficiency apportionment or reapportionment is authorized by the Office of Management and Budget.

Question 24. How does your FY 82 medical care account budget deal with within-grade longevity salary increases, any FY 82 house staff stipend increases, Federal employees compensation fund payments, and the January 1, 1982, increase in Federal employee health benefits -- specifically, which of these items are fully covered by appropriations that you've already received, which are being absorbed, and for which will a supplemental request be made and to what extent?

Answer 24. The available 1982 Medical Care appropriation level will provide for all these requirements.

The 1982 increased requirements of $10,838,000 for stipend increases and $29,232,000 for Federal employee health benefits will be absorbed within available resources. No 1982 supplemental will be requested for these two items and the within-grade longevity salary increases and Federal employees compensation fund payments were provided for with additional resources in the appropriation we have already received.

Question 25. I have a number of concerns regarding the health-care accounts in FY 1983.

A. For the medical care account, you show a total $258 million increase, from FY 82 to FY 83, in payroll costs for existing employment levels.

(i) A $150.5 million component of this so-called increase is described as being for the October 1981 pay raise. How can that be an increase over an FY 82 cost that isn't shown -- rather, isn't this amount simply the FY 83 costs of the October 1981 pay raise? (If necessary) Please state what the FY 82 and FY 83 costs are to the medical care account for the October 1981 pay raise.

Answer 25A(i). In the 1983 President's Budget, the cost of the October 1981 pay raise is not included in the 1982 estimate. The 1982 pay raise requirements will be included in a government-wide pay raise supplemental request to be submitted by the President this spring. The 1983 pay raise increase (Page 6-23) of $150.5 million is the total cost and includes the FY 1982 cost of the October 1981 pay raise of $147.3 million and the annualization of this cost in FY 1983 of $3.2 million.

(ii) Does this $150.5 million cover the FY 83 costs of doctors' special pay increases and the lifting of the civilian pay cap?

(If not) Where in the FY 83 budget are those costs covered?

Answer 25A(ii). No, the pay raise estimate of $150.5 million reflects the impact of the October 1981 pay raise only. The physicians special pay increase of $77 million was included in FY 82 and is included in the Fy 82 base. The cost of the civilian pay cap increase is being absorbed in FY 82 and is therefore included in the FY 83 base.

(iii) Your budget documents state that an increase of $39.9 million is requested for within-grade longevity salary increases.

(a) Is that really an increase over the amount of longevity salary increases in FY 82 or is it just the total FY 83 costs for that item?

Answer 25A(iii)(a). The $39.9 million reflects additional FY 1983 costs of within-grade pay increase is given to employees who have performed satisfactorily. The $39.9 million represents additional requirements for FY 1983. Previous within-grade increases are considered a part of basic pay requirements.

(b) Is that $39.9 million an amount for salary increases being granted in FY 82 or for those that will be granted in FY 83?

Answer 25A(iii)(b). The $39.9 million represents the estimated new within-grade increases that will be granted in FY 1983.

(c) In the description of this item in your budget document, you state that the conservative approach used to compute the $39.9 million estimate "is evidenced by the difference between the $207 per eligible employee actually used in the estimate and [the] over $700 per employee which would be required if the longevity increase were based on salary tables using the average salary of medical care employees." Using the actual average salary of medical care employees, what do you estimate the FY 83 costs of longevity increases to be?

Answer 25A (iii)(c). The $700 within-grade estimate is based upon the assumption of a within-grade increment based upon the estimated FY 1982 average annual payroll of $23,681. Since not all employees are eligible for within-grade increases, the $207 per FTEE is a more accurate estimate. The $39.9 million will provide adequate resources for FY 1983 within-grade salary requirements.

B. Section 112 of Public Law 96-330 provided the VA with new authority to increase rates of pay of DM&S employees -- including both those employed under title 38 and those employed under title 5 -- when necessary either for VA facilities to be competitive with other health-care facilities in the same area or for the VA to achieve adequate staffing of particular facilities or to recruit personnel with specialized skills. It is my understanding that the agency has begun to implement this authority and will be implementing it more fully in the near future.

(i) Please provide details on the costs of implementation of this authority for the record, including to date and planned for FY 82 and 83.

Answer 25B(i). Resources expended to date for adjustments in rates of basic pay are as follows:

FY 1981	$2,700,000
As of 12/31/81	$3,825,186

At present, facilities have to provide evidence that community salaries exceed VA rates and that this impacts on the VA's ability to recruit and retain nurses. This has resulted in a pay plan model for a special rate range of salaries being adopted at 21 facilities. Additional costs of adopting pay plan models at other facilities would be pending approval on a case-by-case basis. In addition to the pay plan model, 66 facililties have entry-level rates above the minimum, based on the surveying of community rates versus VA facility rates in a given location.

Full year cost estimates for 1982 and 1983 would be inaccurate as they depend on the number of facilities providing sufficient evidence of pay discrepancies through their surveying of community versus VA rates. In FY 1983 it is expected that the scope of providing additional pay for recruitment and retention will be expanded to include personnel with specialized skills other than nurses.

(ii) Are funds proposed in the FY 83 budget for such increased rates of pay?

Answer 25B(ii). The FY 1981 supplemental for Public Law 96-330 included $800,000 for section 112 and therefore is included in the base FY 1983 resource level. The estimate was based on the adjustment in the basic pay for only a limited number of nurses. It excluded the full range of nurse grades and steps that could be effected by the special rate range or spread rate of salaries. In addition, when the original estimate was developed, there was little evidence that the community rates and policies (rates up 15-20 percent) would change so dramatically.

(iii) What do you estimate to be the FY 83 costs for these increases in pay?

Answer 25B(iii). The referenced $800,000 for section 112 is included in the recurring dollar resource level for FY 1983. A "total" cost estimate for FY 1983 would be misleading and inaccurate as it would depend on the number of facilities providing sufficient evidence of pay discrepancies through their surveying of community versus VA rates.

C. Does your FY 83 budget provide full funding for the expected costs of house staff stipends, federal employee health benefits, and wage-board increases?

(If not) What are the expected shortfalls?

Answer 25C. While the additional costs for the house staff stipends, Federal employee health benefits and wage-board rate increases are being absorbed in FY 1982, resources are requested to fund a portion of the additional costs in FY 1983. The budget requests full funding for stipend needs in FY 1983 and partial funding for increases associated with the FY 1982 costs of health benefits and wage-board payroll increases. Full year FY 1983 costs of the FY 1982 health benefit increase is $38,586,000 of which an annualization amount of $9,354,000 is included in the FY 1983 request. Full year FY 1982 wage-board increase is $37,007,000, of which $18,503,000, the annualization amount is included in the FY 1983 request.

Below is a chart detailing the funding shortfalls or absorption in FY 1982 for these items (dollars in thousands):

	1982 Absorb
Stipends	$ 10,838
Health Benefits	29,232
Wage-Board Increases	18,504
Total	$ 58,574

D. In a budget briefing that you provided for the Committee and others on Monday, it was indicated that the inflation factor used for medical care items other than personnel services was 5.4 percent. That strikes me as a rather gross underestimate of the rate of inflation. Do you consider 5.4 percent to be an underestimate?

(If so) Based on your best estimate of inflation for the items concerned, how much would the budget item for cost and usage increases have to be increased in order to cover fully the effects of inflation?

Answer 25D. The total estimate for inflation in the FY 1983 Medical Care budget is $147,782,000 which is a net inflation increase of 6.1 percent, comprised of two parts: (1) a 5.9 percent rate increase for all non-personal service costs other than supplies, other contract services and grants (consistent with the Administration's current estimate for inflation in FY 1983) and (2) a 6.34 percent rate increase for medical supplies and other contract services. The hospital industry has experienced a 15 percent inflation rate during 1981. At the same time the CPI increased at 11.1 percent.

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E. Dr. Custis, in the course of this Committee's hearing on Agent Orange last fall, the Administrator noted his personal disagreement with the opinion of OMB that the VA could implement, within existing resources, the new authority set forth in section 102 of Public Law 97-72 to provide certain health care to veterans exposed to Agent Orange or radiation. Subsequently, in response to follow-up questions that I posed after that hearing, the VA indicated that, not counting any inflationary factors, there would be annual costs of $88.7 million associated with this new authority. In response to a further question about whether the VA would seek additional funding to cover these costs in the FY 83 budget, it was stated that "a response will be provided when the budget for FY 83 is submitted."

In addition, legislation was enacted last year to expand health-care eligibility for certain former POW's and for certain veterans who were exposed to nuclear radiation during their service.

(i) Dr. Custis, what do you estimate to be the total FY 83 costs of legislation enacted last year to expand health-care eligibilities?

Answer 25E(i). The total estimated FY 1983 cost of providing certain health care to veterans exposed to Agent Orange or radiation (Section 102 of Public Law 97-72) is $96,200,000 of which $88,700,000 is for Agent Orange. Expanded health-care eligibility for certain former POWs (Public Law 97-37) is estimated to cost $9,981,000 in FY 1983.

(ii) Did you ask OMB for an increase in the FY 83 medical care account budget for these new costs and, if so, to what extent were you successful?

Answer 25E(ii). The President's message, conveyed at the signing of Public Law 97-72, indicated that he expected the Veterans Administration to provide these services within available resources. Consequently, no additional resources are requested for Section 102 of Public Law 97-72. Resources for expanded health-care eligibility of certain former POWs were not requested because of our overall efforts to control projected budget deficits. Treatment of these veterans will be accomplished from within existing resources by not providing for lower priority nonservice-connected veterans.

F. (i) How much cost-saving has been included in your FY 83 dental care budget items for the class II dental eligibility reduction that was enacted last year and do the dental care budget items include sufficient funding for class II dental care in your opinion?

(If not) By how much are those items short?

Answer 25F(i). Cost savings of $17,700,000 associated with Public Law 97-35 are included in the FY 1983 budget, however with the continued workload demand and resource requirements associated with Public Law 96-22 resources have been realigned to support the fee dental program. Current projections based on the 1st quarter of FY 1982 actual experience indicate that Class II workloads are decreasing at an average annual rate of 12 percent. However, this decrease cannot be attributed solely to the provisions of Public Law 97-35, as the declining Class II trend was evident prior to the enactment of the legislation. To further complicate analyses and estimations, veterans honorably discharged prior to October 1, 1981, continue to have one year in which to apply for dental benefits and those workloads will be realized throughout FY 1982.

Estimates based on available data indicate the FY 1983 dental care budget contains sufficient funding. Although Public Law 96-22 generated workloads which are continuing to escalate, it appears that the rate of increase is beginning to moderate and that demands on resources will not increase significantly.

(ii) In this connection, I note that although the budget documents state that an FY 83 decrease in fee dental cases will be accomplished by an increase in staff workloads -- a most worthy objective -- the workload data show a 2,500 decrease in fee cases completed but an increase of only 1,000 in staff-provided treatment. This suggests that the decrease in fee cases may not actually be attributed primarily to the staff workload increase. Please explain whether this is correct.

Answer 25F(ii). The VA staff dental outpatient workloads contained in the FY 1983 budget document refer to all dental outpatients, which are a combination of Class I-IV and "Other" outpatients. The vast majority of "Other" outpatients are comprised of those veterans who receive outpatient dental care as a continuation of essential treatment initiated during hospitalization. The direction provided to VA staff to treat more Class I-VI veterans will continue to receive strong emphasis in FY 1982 and 1983, as it has in prior fiscal years, and, proportionately, more Class I-VI cases will be completed in-house. Conversely, since these total workloads must be accomplished without dental staffing increases, fewer veterans will receive care during or following hospitalization. In addition, it is felt that VA staff absorption of the outpatient cases may be reaching the saturation point and the 1,000 case increase in staff workloads is reflective of this situation. In summary, more of the cases which would be legally eligible for fee-basis care will be accomplished by VA staff, thereby reducing fee costs. Growth in the overall outpatient category will be modest.

(iii) In connection with that same situation, I note that your total outpatient dental fee estimate is $45 million -- just $200,000 below the FY 78 level, and your current estimate for FY 82 is $44.6 million, just $600,000 below the 1978 level. As you know, section 612 of title 38 requires a report to the Congress whenever your outpatient dental fee costs are estimated to exceed the FY 78 level. Please monitor this item closely in both FY 82 and FY 83 in order to ensure that this report is submitted promptly whenever circumstances warrant.

Answer 25F(iii). The VA is acutely aware of dental fee-basis expenditures in general and, in particular, of the requirement to advise Congress whenever fee-basis costs are estimated to exceed the FY 1978 level of $45.1 million. In FYs 1980 and 1981, reports were submitted to appropriate Congressional Committees informing them that the "cap" would be exceeded. Although early estimates for FY 1982 indicate that dental fee-basis costs will be lower than the $45.1 million level, the program will be closely monitored and, if conditions warrant, a report to Congress will be forwarded accordingly.

G.(i) The medical care account in FY 83 also reflects a $24 million decrease attributed to the elimination of beneficiary travel payments in certain cases. I note that no legislative proposal for this item is indicated in the budget. Is it the VA General Counsel's view that the reduction in payments to achieve those savings can be accomplished through administrative action or that legislation would be required.

Answer 25G(i). I have asked my General Counsel to take a further look at this issue to advise me as to the scope of any discretion I may have to impose further restrictions on payments in this area.

(ii) Incidentally, although the program resource change narrative in your budget documents states that the beneficiary travel decrease would be $24 million, the program summary part includes a table of obligations by object showing a decrease of only $17 million. Please provide an explanation of this difference for the record.

Answer 25G(ii). The $24,047,000 reduction in beneficiary travel is partially offset by an expected increase of $7,055,000 for the effects of inflation. As a result, the net reduction in FY 1983 is shown as $16,992,000 in the Table.

H. The amounts included in your FY 83 budget for contract hospital care and contract nursing home care are exactly the same amounts as are currently estimated for FY 82. That seems unusual in light of inflation. Do you expect a shortfall for these items?

Answer 25H. The census levels for contract hospital care and contract nursing home care are the same for FY 82 and 83. This budget provides for a projected increase in the per diem rate due to inflation. The resources for contract hospitals in FY 83 are $83,088,000 an increase of $8,388,000 over FY 82 and for contract nursing home care $185,998,000, an increase of $24,807,000 over FY 82. If shortfalls develop, requests for reprogramming of funds will be submitted to Congress.

I. The FY 83 medical care account budget shows a $2.2 million and 100 FTEE increase for the conversion of 14,968 beds to the unit dose system. I'm pleased to see the effort to convert to unit dose being resumed; conversion to this safer, more cost-effective method for dispensing drugs has long been recommended. However, I do have a question regarding the proposal to add just one FTEE for conversion of each 150 beds. Is the proposed staffing increase of 100 FTEE's sufficient to convert nearly 15,000 beds?

Answer 25I. The proposed staffing increase of 100 FTEE's will support conversion of only 3,460 beds to unit dose dispensing. The proposed conversion of 14,968 beds is based on our intent to provide the remaining FTEE through internal relaignment or reassignment of unfillable positions during 1983. While we will make a concerted effort to meet this objective, it is true that unit dose conversion will be possible only at a rate commensurate with FTEE availability.

J. In light of the foregoing questions and answers, Dr. Custis, what is your estimate of the likelihood that there may be a serious problem with respect to underfunding of many ongoing operational aspects of medical care account programs in FY 83 under current law and that thus not enough funding is requested to maintain the employment and workload levels that the budget documents show?

Answer 25J. The extent of our availability to fully fund an average employment level is dependent on several factors. There is a very narrow margin here due to uncertainties with pay raise funding and the inflation rate that affects non-personnel costs. We are hopeful that we can meet expected employment levels so as not to reduce the quality and quantity of care available to our nation's veterans.

K. In that connection, I have asked the Committee's minority staff to look into these issues very closely in an effort to determine the funding level that would actually be required to fund fully the FTEE and workload levels shown in your FY 83 medical care account budget. Will you please provide the staff with appropriate technical assistance and data to enable them to complete that task?

Answer 25K. This agency believes that, there are sufficient resources for the Department of Medicine and Surgery to provide a comprehensive medical program of high quality. The Agency will, however, be pleased to assist the Committee's minority staff to complete their assigned task.

Question 26 A. Do you plan to submit legislation this year or next to change current law eligibility for VA health care on the basis of a veteran reaching age 65?

B. [If so] I certainly hope that during any consideration of such a proposal you will pay particular attention to the impact of any change in this eligibility on medicare expenditures and the solvency of the social security trust funds. As the Senate author of the current law provisions relating to veterans age 65 and over, I know that in 1970, when this provision was enacted, the information then available showed that virtually all veterans age 65 and over were eligible for medicare and that it was more cost-effective for the government to provide them with needed health care in VA hospitals than to pay for their care under medicare. Thus, they were given that option.

Unless this situation has changed significantly, I am unclear on the benefits -- either to veterans or taxpayers in general -- of removing or modifying the current law eligibility for these veterans which is, as you know, conditioned in title 38 on the extent to which there is capacity in the VA to provide the requested care; in other words, it is not an unlimited eligibility.

Will you be paying particular attention to the matters I have discussed?

Answer 26A&B. We have no present plans to submit legislation to alter the eligibility for health care of veterans who are 65 years of age or older. A great many options must be considered, of course, in formulating policy to plan effectively for future delivery of services to veterans, particularly so in connection with the "Aging Veteran" issue. We will certainly weigh the matters you raise in relation to any consideration of a change to such veterans' eligibility.

Question 27. I note that legislation is to be proposed to extend the authority for appropriations for grants for the construction of State extended care facilities that is provided in section 5033 of title 38.

A. How long an extension will be proposed?

Answer 27A. Proposed legislation would extend the authority through fiscal year 1986.

B. How many approved applications for this grant assistance are now pending and what is the dollar value of those applications?

Answer 27B. As of January 31, 1982, there were 31 applications on hand that are eligible for funding totalling $67,059,000 which will not be funded in FY 82. Final approval of a grant occurs when full funding for the project is available.

C. How many other applications -- not yet approved or disapproved -- are pending and what is their total dollar value?

Answer 27C. States have reported that they plan to submit 91 applications through FY 1987 with requests for VA participation totalling $93,425,000.

D. Will you also be proposing an amendment to section 641 of title 38 to raise the per diem rates paid to States for eligible veterans receiving care in State homes?

(If no) In the past, the VA has always stressed the important role that the State homes can play, especially down the road, in providing extended care for veterans. I believe that your budget request of $18 million for grants to State homes suggests you agree with that position. Am I correct and are you not concerned that providing no increase in the per diem rates might lead to a decreased level of participation by some States?

Answer 27D. The VA is not proposing legislation to increase the per diem rates at this time. Under present budgetary restraint, an increase to the Grants for Construction of State Extended Care Facilities was believed to be of higher priority than increases to the per diem rate to make it possible to expand medical care to veterans beyond that which is provided in VA facilities.

Question 28. As you know, the Congress appropriated $4 million in FY 82 for nurse scholarships. However, I note that no funds are requested for this program in FY 83. How do you propose to operate the scholarship program with the $4 million already appropriated and no appropriations in FY 83?

Answer 28. We are reviewing our plans for operating the scholarship program to see what potential problems there may be in not having an appropriation in FY 1983.

Should it be determined that there are major problems affecting program implementation, we see two possible approaches.

Within existing legislative authority, we are exploring the possibility of awarding scholarships for more than one year at a time to allow full funding of students until completion of their degree program.

A second alternative would be to request legislative authority to extend the availability of the $4 million already appropriated beyond FY 1982.

Question 29 A. What is the level of funding that is proposed for the readjustment counseling program for FY 83?

Answer 29A. For the operation of the VA's Vet Center Program, $20.2 million is proposed, and for the Contract Program $11.2 million is proposed, for a total FY 1983 request of $31.4 million.

B. How many vet centers will this support?

Answer 29B. These funds will support 136 Vet Centers and satellites. A satellite is a 1, 2 or 3 man unit located away from the parent Vet Center in locations that do not warrant a full Vet Center. The Team Leader of the parent Vet Center is the Team Leader for the satellite.

C. What portion of that will fund fee-for-service readjustment counseling for those veterans who cannot receive this counseling through vet centers?

Answer 29C. Of the total $31.4 million, $11.2 million is for fee-for-service and/or contracts. The contract funds will support contracts in every state, Puerto Rico and the Virgin Islands. These contracts will help provide services in areas where there are no Vet Centers or satellites within a reasonable distance.

D. Will that level of funding support and do you plan a nationwide contracting-out effort? Or do you plan a more selective approach?

Answer 29D. That level of funding will support a nationwide contracting program. ~~Our~~ intent is to provide services where there are presently none available. This will be primarily in low population density areas, or in a few areas of such high population density that the existing Vet Centers cannot be expected to provide all needed services (such as Los Angeles, New York City, etc.). Every attempt will be made to avoid duplication at present Vet Centers.

Question 30 A. How many A-76 cost-comparison studies can be funded from the $2 million proposed to be earmarked for that purpose?

Answer 30A. Assuming each study would cost about $7,500, the requested funding would enable DM&S to perform 260 individual studies.

B. What will be the schedule for those studies?

Answer 30B. Certainly, the schedule of reviews to be formulated will not commence prior to October 1982. Necessary preparations will probably delay studies from beginning prior to January 1983. For your information, the specific functions we plan to study are grounds maintenance, medical transcription, and painting. The primary sites for such studies will be our larger, metropolitan VA medical centers. The level of funding requested will not and is not intended to permit a comprehensive, systemwide approach.

C. Are any projected cost-savings related to contracting out under A-76 reflected in the FY 83 budget?

Answer 30C. No.

D. In light of the concerns raised during the Committee's November 5 hearing on A-76 regarding the degree to which different functions within DM&S might be subject to contracting-out procedures under A-76, please provide a detailed plan of your proposed A-76 procedures, assuming appropriation of the earmarked $2 million, including the role of central office in reviewing the survey results.

Answer 30D. Our basic approach would be no different in this instance than it was in the original implementation plan--with one exception. Funds from the requested $2 million would be allocated to specific facilities where studies are to be scheduled. Basic policies and procedures for the A-76 program are contained in VA Circular 00-81-32, dated July 31, 1981, which is already distributed to the field facilities. This directive is a fully consistent companion to OMB Circular A-76 and the Cost Comparison Handbook, both of which were distributed previously to the field. We anticipate no change to the basic approach required therein. Incidentally, Central Office oversight and specific review/approval are important components of the VA policy in accomplishing A-76 studies. A copy of VA Circular 00-81-32 is attached for the information of the Committee.

Veterans Administration
Washington, D.C. 20420

CIRCULAR 00-81-32

July 30, 1981

POLICIES FOR ACQUIRING COMMERCIAL OR INDUSTRIAL PRODUCTS AND SERVICES NEEDED BY THE GOVERNMENT

SECTION I. GENERAL

1. PURPOSE. This circular implements OMB Circular No. A-76 as revised by Transmittal Memorandum No. 4, dated March 29, 1979. The revised OMB circular has been distributed to all departments, staff offices and facilities, as has supplement No. 1 to that circular. The supplement is entitled "Cost Comparison Handbook." Except where necessary for augmentation and emphasis, or to assure continuity and understanding, material contained in OMB Circular No. A-76 is not repeated in this VA circular. Consequently, OMB Circular No. A-76 and supplement No. 1 must be read in conjunction with this directive.

2. SCOPE

a. This circular will be used within the VA to insure adherence to OMB Circular No. A-76. It prescribes the methodology and procedures which must be followed in order to determine whether or not existing VA commercial or industrial activities will be continued and whether or not new inhouse capabilities will be established in lieu of contracting for the required services.

b. This circular applies to all departments and staff offices.

c. Contracts which establish a situation tantamount of an "employer-employee" relationship are precluded by Federal personnel laws. This prohibition is not overridden by OMB Circular No. A-76 (par. 6d(2) of the OMB circular). The VA has thus far identified telephone switchboard operations (excluding maintenance) as an activity which falls into the employer-employee relationship category, and which is therefore exempt from the provision of the OMB circular.

d. In addition to the limitations of applicability in paragraph 6 of the OMB circular, title 38 of the United States Code mandates the VA to conduct certain activities that might otherwise be considered commercial/industrial. Accordingly, OMB Circular No. A-76 will not be applied to those activities. Activities so identified are as follows:

(1) Medical research activities to be conducted in house at a VA health care facility (38 U.S.C. 4101(c)).

(2) Canteen Service operations (38 U.S.C. 4202).

(3) Medical, dental and ancillary activities (reference M-1, pt. I, app. A) conducted inhouse for the diagnosis and treatment of patients are considered integral parts of health care facilities which are operated as an agency mission function (38 U.S.C. 4101).

e. Pursuant to paragraph 6d(3) of the OMB circular, it is emphasized that this circular will not be used solely to meet personnel ceilings or to avoid salary limitations.

3. RESPONSIBILITIES

a. Specific Responsibilities

(1) The Assistant Deputy Administrator (003) is designated as the official having overall responsibility for implementing OMB Circular No. A-76 within the VA. Staff support will be provided by the Assistant Administrator for Supply Services (90).

(2) The Deputy Administrator (001) is designated as the official to hear appeals from determinations made under OMB Circular No. A-76 (par. 11).

(3) The Associate Deputy Administrator (002) is designated as the official to approve new starts involving a capital investment or annual cost of $500,000 or more. New starts involving lesser amounts will be approved by the head of the department or staff office. The Associate Deputy Administrator is also the official designated to approve the continuation, replacement, expansion or new starts of activities on a noncost basis pursuant to paragraphs 5f and 8a(1)(b) of OMB Circular A-76.

(4) The individuals designated below will serve as central points of contact for their respective department or staff office. Such individuals will maintain the documents and data, and respond to all requests concerning such data, as provided in paragraph 10a(2) of OMB circular No. A-76.

(a) Director, Plans and Programs Staff (40D), Department of Memorial Affairs.

(b) Director, Administrative Service (23), Department of Veterans Benefits.

(c) Assistant Administrator (03), Office of Administrative Services.

(d) Chief, Procurement Contracts and Records Management Division (30A3), Office of Data Management and Telecommunications.

(e) ACMD for Administration (13), Department of Medicine and Surgery.

(f) Director, Management Staff (08C), Office of Construction.

(5) The Assistant Administrator for Personnel is designated as the official to provide advice and assistance on all matters having personnel management implications. This includes appropriate coordination of national consultation with union headquarters; insuring that locals of exclusively recognized bargaining units are dealt with appropriately; providing complete and accurate data on classification and job grading, position management, pay benefits, severance pay, and relocation expenses for personnel costing purposes; providing complete information on internal and external placement programs, RIF procedures, grade and pay retention and other related matters. Major emphasis will focus upon early planning; anticipating results; establishing programs to minimize adverse impact on affected employees; establishing and keeping lines of communications open with all affected organizations, management officials, supervisors and employees, and recognized labor organizations. The Assistant Administrator for Personnel will also provide advice and assistance, as requested, to departments and staff offices for matters within departmental or staff office jurisdiction.

b. General Responsibilities. Departments and staff offices having commercial/industrial activities will:

(1) Identify those activities and maintain an inventory of them in the prescribed manner.

(a) Determine which of their functions are Government functions (par. 5f of OMB Circular No. A-76). Where such functions are the same or similar to the list of commercial/industrial activities contained in OMB Circular No. A-76, a written determination will be made citing the basis for classifying the activity as a Government function. The determination will clearly set forth the reasons that an activity normally considered commercial in character must, for the purposes of the VA, be performed inhouse. Such determinations will be signed by the respective department or staff office head, and transmitted to the Associate Deputy Administrator (002) for approval through the Assistant Deputy Administrator (003), to support the absence of such activities from the inventory report.

(b) Resolve questions from facilities pertaining to activities not shown on the "List of VA Commercial Activities and Corresponding Activity Codes," Attachment A to VA Circular 00-79-17. In coordination with the Office of Supply Services (90) establish new or revised activity designations as needed.

(2) Subject to the approval of the Associate Deputy Administrator (002), determine which of its activities must be conducted inhouse on the basis that use of a private commercial source would cause an unacceptable delay or disruption of an essential program (par. 8a(1)(b) of OMB Circular No. A-76). Such determinations should be made as early in the review cycle as is feasible.

(3) Schedule reviews of commercial/industrial activities in accordance with OMB Circular A-76.

(4) Conduct reviews in accordance with approved schedules.

(5) Take action as indicated by the reviews and record the results in the inventory records.

(6) Issue any instructions to facilities or commercial/industrial activities deemed necessary to insure compliance with this circular. A copy of such instructions will be provided the Assistant Deputy Administrator (003).

(7) Provide necessary training to the personnel who will conduct the reviews and cost comparisons, in collaboration with the Office of Supply Services, the Controller and the Assistant Administrator for Personnel as necessary. Further information will be provided as training courses and schedules become known.

(8) Provide for the independent review of all cost comparisons to insure conformance to the instructions in the Cost Comparison Handbook, as required by paragraph 9f of OMB Circular No. A-76.

c. Special Assistance. In certain cases it may be appropriate for P&PE (Planning and Program Evaluation) (07) to provide for an independent review and/or cost comparison. Generally, P&PE will be involved when activities involving more than one agency element require special attention (for example, consolidation of laundries involving more than one Medical District). The purpose of this is to provide resources for unusual, complex situations generally beyond the scope of individual departments. A request for such assistance may be made only by the head of a department or staff office.

4. INVENTORY OF COMMERCIAL/INDUSTRIAL ACTIVITIES. The initial inventory has been prescribed by VA Circular 00-79-17. Certain subsequent actions are provided for in this circular. Further instructions will be provided on the method of updating and on management reports to be utilized.

5. INVENTORY OF CONTRACTS. The inventory of contracts required by paragraph 10b(2) of OMB Circular No. A-76 will be produced in accordance with instructions to be provided separately. As soon as the necessary information is obtained, an inventory listing will be provided to the departments and staff offices concerned. Schedules for review of contracts will be developed by the department or staff office concerned and submitted to the Deputy Administrator (001) through the Assistant Deputy Administrator (003). Upon approval by the Deputy Administrator, the schedules will be submitted to OMB. A copy of that submission will be forwarded to the Office of Management Services for publication in the "Notices" section of the Federal Register, accompanied by a preamble following the usual format, as appropriate.

6. ORGANIZING THE REVIEW PROCESS

a. The magnitude of the review program requires that it be decentralized to the maximum degree practicable. Accordingly, heads of activities will organize a management team to make the reviews. Because of the importance of the review process, the team will be headed by a senior management member of the facility staff and will include representatives of other specialty areas whose expertise is involved (e.g., the activity official, Personnel, Fiscal, Supply, Engineering, etc.). Commercial/industrial activities conducted in Central Office will be reviewed in accordance with instruction provided by the head of the department or staff office concerned. Local management will take all possible steps at the earliest practical time to minimize any potential adverse impact on present employees, in accordance with paragraph 3a(5) of this section.

b. Local management should further insure that the activities under review are organized and staffed for the most efficient performance pursuant to paragraph 9(c)(1) of the OMB circular.

7. CONSULTATION WITH RECOGNIZED LABOR ORGANIZATIONS. Facilities will:

a. Furnish a copy of this circular to exclusively recognized labor organizations representing employees covered by its provisions.

b. Meet in advance with exclusively recognized labor organizations to consult regarding implementation of provisions of the circular and its impact on affected unit employees.

c. Review existing negotiated agreements for applicable provisions. Care must be exercised to avoid any inference of negotiation of the decision of whether or not to contract out.

d. Furnish a copy of the review schedule pertaining to their commercial/industrial activities (including any changes thereto) to exclusively recognized labor organizations representing the facility employees.

SECTION II. REVIEW OF EXISTING COMMERCIAL/INDUSTRIAL ACTIVITIES

1. **SCHEDULE OF REVIEWS.** Review schedules will be developed by each department and staff office which operates commercial/industrial activities. The schedules will be prepared from the inventory data obtained pursuant to VA Circular 00-79-17. Adjustments to that data will be made in accordance with the provisions of this circular.

a. Each department and staff office head will be provided a listing of those commercial/industrial activities being conducted within the respective department or staff office as reported in consonance with VA Circular 00-79-17. The listing will be in computer printout format and will list each facility and each facility's commercial/industrial activities.

b. Each department and staff office will, in accordance with separate instructions, return the listing to the Assistant Administrator for Supply Services with written annotations indicating the month and year that each commercial/industrial activity will be reviewed, and which, if any, will be reviewed centrally to determine if contracting out is compatible with an essential agency program. The review dates and footnotes will then be updated into the computer data bank.

(1) Where a particular activity exists in two or more facilities in the same locality, and especially where different departments and staff offices are involved (e.g., a regional office and a medical center in the same city), the review schedule for that activity at each facility should normally be the same.

(2) Identification of activities common to two or more departments and staff offices will be provided, to enable scheduling offices to coordinate their schedules with each other.

c. An agencywide inventory of commercial/industrial activities, with the established review dates, will be compiled from the individual department and staff office submittals. This agencywide inventory will be transmitted to OMB upon approval of the Deputy Administrator. A copy of the inventory with review dates will be forwarded to the Office of Management Services for publication in the "Notices" section of the Federal Register, accompanied by a preamble following the usual format. Concurrent with the transmission to the Office of Management Services, a copy of the review schedule will be provided the Assistant Administrator for Personnel (058).

d. The approved department and staff office review schedule will be returned to the respective departments and staff offices. (A copy of the approved review schedule will be provided the Assistant Administrator for Personnel (058).) This schedule will then be used for monitoring the completion of reviews against the established schedule. Instructions are being developed regarding the procedures to be used for updating the commercial/industrial activity inventory with respect to the results of reviews, rescheduling reviews after the initial review is completed, deleting activities from the inventory in the event of conversion and making other pertinent revisions. When such instructions are developed and requisite programming completed, the instructions will be furnished as a supplement to this circular.

e. Pertinent management information records will be developed as a derivation of the commercial/industrial activity inventory data base in order to assist departments and staff offices in the monitoring of the review schedule. When all appropriate programming has been accomplished, the nature and format and the procedure for obtaining these records will also be clarified as a supplement to this circular.

f. Requests for extension of review periods may be initiated by the head of the concerned department or staff office. The requests will be addressed to OMB, prepared for the signature of the Deputy Administrator (001), and routed through the Assistant Deputy Administrator (003).

g. Proposed changes in approved review schedules may be initiated by the head of the department or staff office concerned and routed to the Deputy Administrator through the Assistant Deputy Administrator. Upon approval of the Deputy Administrator, the revised schedules will be forwarded to the Office of Management Services for publication in the Federal Register. Such proposed changes must be prepared and routed in order to insure receipt by Management Services in sufficient time for publication 60 days prior to the previously scheduled review date. (A copy will be furnished the Assistant Administrator for Personnel (058).)

2. WORK STATEMENTS

a. Work statements will be developed by each facility for the individual commercial/industrial activity under review unless otherwise provided by the respective department or staff office. (See Statement of Work on pages 5 and 6 of the A-76 Cost Comparison Handbook.)

b. The work statements form the foundation upon which the ensuing cost comparisons will be based. As specified in the OMB circular, both Government and commercial cost figures must be based upon the same scope of work and the same level of performance. The work statements will therefore form the basic solicitation performance specification from which potential contractors will submit their bids.

c. When the work statement is developed at facility level, the servicing Supply Officer should be consulted to insure its adequacy as a contractual specification.

d. When the work statement is developed at department or staff office level, the Assistant Administrator for Personnel (058) will be furnished two copies of the draft work statement and allowed 35 days for comment prior to release to field facilities for use in the cost-comparison review. Additionally, the Office of Supply Services (93) may be consulted as to its adequacy as a contractual specification.

3. NOTICE IN THE COMMERCE BUSINESS DAILY

a. Where it is unknown that there are two or more autonomous commercial firms interested in providing the commercial/industrial function under study, the facility conducting the review will place notices in the Commerce Business Daily as perscribed by paragraph 8a(2)(a) of OMB Circular No. A-76.

b. The notices will be constructed to determine those commercial firms that would be interested in submitting bids for the requisite workload in the event a solicitation were issued. The notices will generally specify the work involved and clearly indicate that unless two commercial firms indicate their interest, no formal solicitation will be issued.

c. In the event that less than two firms respond to the notice, it will be considered that "no satisfactory commercial source is available." In this case the facility will forward its findings and verifications of the Commerce Business Daily notices to the cognizant department or staff office. The department or staff office head will update the inventory record accordingly. No further action (i.e., development of a solicitation or inhouse cost estimates) will be required of the facility with regard to the review of an activity having been found not to have satisfactory commercial sources. Deviations from this policy may be authorized by the Assistant Deputy Administrator.

d. The requirement that two affirmative responses must result from the notice placed in the Commerce Business Daily and the subsequent requirement that two responsible bidders respond to the solicitation are intended to protect the VA from relying upon a single source. Such reliance could result in that source unreasonably increasing its contract price in ensuing contract periods due to the absence of competition or in the curtailment of needed service in the event that source refused to or could not provide services in ensuing contract periods. Consequently, the requirement for two bidders in cost-comparison studies is the general policy of the VA, and will be deviated from only when it can be substantiated that reliance upon one source will not jeopardize the effective operation of the facility. However, for pertinent reasons (e.g., regulated services such as utilities, firefighting and refuse disposal), a facility may determine that the two bidder policy is unnecessary. A facility wishing to deviate from this policy may do so on its own authority for activities costing less than $100,000 per year. Deviations for activities costing in excess of $100,000 per year must be requested, with full written justification, from and approved by the Assistant Deputy Administrator. When such deviations are authorized, the notices in the Commerce Business Daily (par. 3b of this section) and the clause specified in paragraph 4c of this section are to be modified accordingly.

4. DEVELOPMENT OF THE SOLICITATION

a. In the event it has been determined that there are two or more responsible firms interested in performing the work, the facility will proceed with development of the required firm bid solicitation and the inhouse cost estimates. The solicitation performance specification will consist of the work statement.

b. In order to allow time for the mandated cost-comparison review and the potential appeal of cost-comparison decisions, the solicitation will require 90 days for bid acceptance.

c. In addition to the clauses and provisions required by Federal and VA Procurement Regulations, the solicitation will include the following provisions:

"NOTICE OF COST COMPARISON"

Bidders are placed on notice that this solicitation is subject to a Government cost comparison to determine the economical feasibility of accomplishing the specified work inhouse or by contract. A contract may or may not be awarded, depending upon the outcome of the cost comparison. Bidders are also placed on notice that no contract will be awarded, irrespective of cost comparison results, unless two or more responsible autonomous bidders respond to this solicitation.

The results of the cost comparison and the appropriate backup documentation will be made available for public display as soon as practicable after opening of bids. Notification of such availability will be made by the contracting office.

Ten working days (unless a longer period is established by the Contracting Officer) will be allowed from the date of notification of the availability of the cost comparison for review, for appeals from the cost-comparison decision. These appeals will be used only to resolve questions of the determination between contract and in-house performance, and will not apply to questions concerning award to one contractor in preference to another contractor. Appeals must be furnished to the Contracting Officer in writing, clearly setting forth the specific objection(s), within 10 working days (or longer period established by the Contracting Officer) after notification of the availability of the cost comparison for public viewing.

[END OF CLAUSE]

"RIGHT OF FIRST REFUSAL"

If this solicitation results in the award of a contract, the contractor will grant those Federal employees displaced by direct result of such contract the right of first refusal of employment openings created by the contractor. This provision will apply only to job openings for which such displaced employees are qualified, and will not apply when such employees would otherwise be prohibited from such employment by the Government post-employment conflict of interest standards.

[END OF CLAUSE]

d. If the anticipated contract amount meets or exceeds the amounts specified in either VAPR 8-1.403-51 or 8-1.403-60, the proposed solicitation will be forwarded for the indicated legal or technical review.

5. DEVELOPMENT OF INHOUSE COST ESTIMATES. The inhouse cost estimates will be developed in accordance with the Cost Comparison Handbook. If, as the result of management review of the inhouse activity pursuant to section I, paragraph 6b of this circular, the activity will be or is being reorganized and staffed, the inhouse cost estimate will be based upon that reorganization or staffing. *NOTE: See par. II.D.2. of the A-76 Cost Comparison Handbook regarding the requirement that any planned reorganization or staffing must be initiated within 30 days after a determination to continue Government performance.)* Primary responsibility for the inhouse cost estimates will normally be that of the facility management team (see sec. I, par. 6), in conjunction with the servicing Fiscal activity. The inhouse cost estimates will be sealed in an envelope and furnished to the contracting officer. The contracting officer will insure that the estimated costs are not revealed until bid opening.

6. DEVELOPMENT OF AND INDEPENDENT REVIEW OF COST COMPARISON

a. At the bid opening the contracting officer will open all bids and will also open the inhouse cost estimates. The contracting officer will emphasize to all interested parties present at the bid opening that contract award or cancellation of bid will be dependent upon the final cost comparison to be developed. Furthermore, it will be clearly stated that the solicitation will be canceled in the event that less than two responsible bidders submitted bids, i.e., affirmative determinations of responsibility as set forth in the Federal Procurement Regulations, subpart 1-1.12, will need to be established for at least two bidders.

b. In the event there are less than two responsible bidders, it will be considered that "no satisfactory commercial sources are available." In this case, the facility will forward its findings, copies of the solicitation, inhouse estimates, bids and any determinations of nonresponsibility to the cognizant department or staff office. The department or staff office head will update the inventory records accordingly. All interested parties to the solicitation will be informed of the findings of the contracting officer.

c. In the event that it is determined that two or more responsible bidders have responded to the solicitation, the facility will proceed with completion of the Cost Comparison Form and the Decision Form Summary, as prescribed in the Cost Comparison Handbook. Upon completion, they will be forwarded to the department or staff office element responsible for the independent review of the cost comparison. Included with the submission will be copies of all backup documentation for each of the cost calculations. The independent review will verify the adequacy and accuracy of the cost comparison and the validity of the recommended action. The Cost Comparison Form and the Decision Form Summary, either approved, approved with recommended revision, or disapproved with appropriate direction will be returned to the preparers of the cost comparison. The approved forms, after any recommended revisions have been accomplished, will be returned to the contracting officer. At that time the contracting officer will announce the results of the cost comparison to all interested parties and make available the detailed analysis and all documentation. Copies of the detailed analysis and all documentation will be provided upon request. A minimum of 10 working days and a maximum of 15 working days will be allowed for the review of the cost comparison. If no appeals are made within the stated time, the contracting officer will take the requisite action, i.e., cancellation of the solicitation or award of the contract.

7. PROCESSING RESULTS OF REVIEWS

a. Completed facility-level reviews not involving cost comparisons will be forwarded to the head of the appropriate department or staff office. Where the review resulted in a determination to contract out without a cost comparison, the date of termination of an existing activity will be shown, if applicable. Upon acceptance of the results of the review in Central Office, the inventory record will be updated accordingly, and the facility so advised.

b. Completed reviews involving cost comparisons will be forwarded to the head of the appropriate department or staff office. Where the result was the award of a contract, the date of award will be shown. Where the result was to continue the commercial/industrial activity, all relevant computations will be shown. Upon acceptance of the results of the review in Central Office, the inventory records will be updated accordingly.

c. Central Office reviews resulting in a determination that an activity should not be contracted because of potential delays or disruptions of an essential agency program will be approved by the Associate Deputy Administrator (002). Department and staff office heads will transmit the findings and recommendations to the Associate Deputy Administrator for approval through the Assistant Deputy Administrator (003).

(1) In the event that such a determination is approved, the inventory record will be updated.

(2) In the event that the determination is not approved, a proposed change to the review schedule will be initiated, as specified in paragraph 1c of this section, and will set forth the new proposed schedule for reviewing the activity at each location where it is conducted, and each facility will be so advised.

(3) Documentation of such determinations, either approved or disapproved, will be maintained at the department or staff office level.

SECTION III. NEW STARTS AND EXPANSIONS INVOLVING CAPITAL INVESTMENTS WITH LONG LEAD TIMES

New starts and expansions involving construction contracts or equipment acquisitions with long lead times present special problems where cost comparisons are involved. Such activities will be subject to special instructions in conjunction with the review and approval of the request for a construction project, or for controlled equipment. Accordingly, construction projects and equipment requisitions which are related to a new start will be so identified upon submission.

SECTION IV. MAINTENANCE OF RECORDS

1. AGENCY INVENTORY. A copy of the agency inventory, including scheduled review dates and results of reviews, will be maintained by the Assistant Administrator for Supply Services.

2. DEPARTMENT AND STAFF OFFICE INVENTORIES

a. Each department and staff office will be responsible for maintaining a copy of its respective inventory, including scheduled review dates and results of reviews.

b. Each department and staff office will maintain: the reviews of its commercial activities conducted centrally; determinations that specified activities are Government functions, as prescribed in section I, paragraph 3b(1)(a) of this circular; and copies of cost comparison studies conducted at its respective field facilities.

3. COST-COMPARISON REVIEWS. The original cost-comparison review and documentation will be maintained by the facility conducting the cost comparison. (For cost comparisons conducted in Central Office, the reviews will be maintained by the appropriate departments or staff offices.)

4. RECORD RETENTION AND DISPOSAL. Retention and disposal requirements will be developed by the respective departments and staff offices concerned.

SECTION V. PROCESSING OF APPEALS

1. Appeals from cost-comparison determinations must be registered within the prescribed time frame after public announcement and display of the cost-comparison analysis. The appeal must be in writing, clearly setting forth the specific objection(s) to the cost-comparison analysis. The appeal may be submitted to the contracting officer who will transmit it to the Deputy Administrator (001) through the department or staff office head. Within 30 days of transmittal, the Deputy Administrator will provide the facility with the final decision of the VA regarding the appeal. A copy of the decision will be furnished the cognizant department or staff office head.

2. An appeal from a noncost determination to continue an existing activity, proceed with an expansion, or begin a new start, or an appeal against a decision to cease an activity without undergoing a cost comparison, may be submitted to the head of the organization which conducts or which had conducted the activity. The appeal will be forwarded to the Deputy Administrator through the head of the department or staff office. The appeal will be in writing, clearly setting forth the specific objection(s) to the determination. Within 60 days of transmittal, the Deputy Administrator will provide the appellant the final decision. A copy of the decision will be furnished to the cognizant department or staff office head.

3. In the case of appeals received by the Deputy Administrator, and where additional data or views are required, an ad hoc committee may be convened to assist that individual in reaching a decision. Upon request, departments and staff offices will furnish appropriate representation to serve on the committee.

4. The VA appeal procedures and any resultant decisions are intended to protect the rights of all affected parties (Federal employees and their representative organizations, contractors and potential contractors, and contract employees and their representatives, etc.). Accordingly, these procedures and decisions may not be subject to negotiation, arbitration or agreement with any one of these parties. VA appeal decisions are final. These procedures do not authorize an appeal outside of the agency or a judicial review.

SECTION VI. RESCISSION

RESCISSION: VA Circular 00-77-9 is hereby rescinded.

ROBERT P. NIMMO
Administrator

Distribution: B
FD

Question 31. I note that the proposed budget includes 3 FTEE's and $216,000 to bring the final one of the original 8 GRECC's up to full funding and staffing.

A. Once this center is at this level, when do you plan to establish new GRECC's?

Answer 31A. Funding of GRECCs is in accordance with Public Law 96-330 which stipulates that prior to providing funds for the operation of any additional GRECCs, the Administrator shall assure that each existing GRECC is receiving adequate funding. In addition to the 3 FTEE and $216,000 cited, the FY 83 request will provide trainee support of 32 FTEE and $985,000 so that each facility with a designated GRECC will have a model program of 8 trainee positions consisting of medical, dental, nursing and associated health for rotation from the established affiliated programs and $200,000 to provide necessary postgraduate and inservice training support for continuing education effort coordinated with and for the staff of the 8 existing GRECCs. Any additional enhancement and any further expansion of the number of GRECCs will be considered during the formulation of the FY 84 budget.

B. When do you plan to reach the level of 15 GRECC's specified in Public Law 96-330?

Answer 31B. Plans to reach the level of 15 GRECCs cannot now be made firm due to budgetary and priority restraints.

Question 32. Dr. Custis, for a number of years, I have been concerned that innovative and nonconventional research projects proposed for funding in the VA might not survive the traditional peer review system. Beginning in 1979, the then-chief medical director established a special mechanism to review innovative projects that had not been accepted for funding in the peer review process and he set aside $2 million in FY 80 to fund some of these projects after a review process. In a November 1980 letter, you assured me that a similar amount was set aside in FY 81.

A. Can you tell me how much was finally expended for this program in FY 81?

Answer 32A. In FY 1981, $2,400,000 supported 65 investigators whose projects were viewed as innovative by the special innovative review group.

B. Has an amount to fund these types of projects been set aside in the current fiscal year, and are there plans to take such action in FY 83?

(If so) How much is the set aside?

(If not) Why is that?

Answer 32B. In FY 1982, it is only possible to support 52 innovative projects costing $1,700,000. The budget reduction for Medical Research precludes additional support for innovative studies in FY 1982. In FY 1983, it is planned to continue to identify and support innovative projects as in the past. In addition, innovative proposals were specifically solicited that would focus on alcoholism. These innovative alcohol studies were reviewed in FY 1981 for funding in FY 1982. Twelve studies costing $503,109 for the first year were approved, but will not be funded in FY 1982. Our intent is to support these and other identified innovative studies in FY 1983. Total support for this effort will be $2,000,000.

Question 33 A. Dr. Custis, on February 4, I wrote to you regarding my concerns about the way in which FY 82 research funds are being allocated. My biggest concern in this regard is what I see as unnecessary central control with insufficient flexibility being provided to local stations on how to allocate research funds. Please provide your views on whether it will be possible in FY 83, given the level of funding proposed for research and the preliminary decisions that are reflected in the budget documents with regard to the funding breakdown in medical research, to provide greater opportunity for local facility heads to make individual decisions on which research efforts are to receive funding.

Answer 33A. In response to your suggestion that local facilities be given greater flexibility in allocating research funds within a station, in fact such authority already exists. The VA research program differs from the N.I.H. and other extramural grant programs by providing "INSTITUTIONAL" support rather than support to individual researchers. While institutional research support to VA facilities is calculated based on individual research program approvals, in fact, the local facility Director has flexibility to allocate these funds among researchers at his or her station. Any facility that wishes to support new investigators by reallocating funds from ongoing programs may do so without any change in current resource allocation rules.

B. Please provide copies of my February 4 letter and Dr. Custis' reply for insertion in the record at this point.

Answer 33B. Senator Cranston's letter is being responded to apart from these questions.

Question 34. As you know, legislation, in slightly different forms, has passed both houses this Congress to provide a new emphasis on the sharing of health-care resources between VA and DoD in peacetime and to establish a clear role for the VA as the first backup to DoD health-care resources in time of war or national emergency. If a compromise measure based on these bills is enacted this spring, do you anticipate any start-up costs for the implementation of this legislation, and, if so, are those costs reflected in the FY 83 budget?

Answer 34. We anticipate start-up costs for the implementation of this legislation in the amount of $265,000. We did not specifically reflect start-up costs in the FY 83 budget, however, we plan to absorb it.

Question 35. Please explain how you arrived at the estimated 0.2-day reduction average length of stay in VA hospitals.

Answer 35. The average length of stay in VA hospitals has been declining for several years due to improvements in hospital care and an increased emphasis on non-hospital treatment such as nursing home care and outpatient care. Improvements in hospital care have resulted from improved treatment modalities, improved staffing ratios, and more effective use of management controls within the hospital. These factors are expected to result in continued improvement in the VA average length of stay, but the rate of improvement is expected to decline. The reduction of two tenths of a day from FY 82 to FY 83 results from trending historical data into the future and taking into account the declining rate of improvement.

Question 36. Your budget documents indicate that at the end of fiscal year 1981, $12,048,000 of that year's funding lapsed. Why was that amount not able to be used for part of the backlog of supplies and equipment needs that I understand you had at that time?

Answer 36. Of the $12,048,000 lapsed in FY 1981, $10,623,000 was not available for obligation.

An alternate use of the $8,762,000 added by the Congress for Community Nursing Home Care was denied in the reprogramming requests to the Congress, and $1,861,000 in unanticipated reimbursements were unapportioned.

The remaining $1,425,000, or .02 percent of available resources, was residual balances remaining at field facilities and in Central Office.

Question 37. On page 6-9 of your budget documents, you note various differences between the VA health care and care in private facilities that make it difficult to draw cost comparisons between the two. For example, you state: "If the veteran is sent home for three to four days, with plans to return for further hospitalization, he will be sent on a 'pass'. In the private hospital this sequence would be recorded as two short hospitalizations. In the VA, the entire sequence will be recorded as one episode of care and will result in a longer length-of-stay."

A. Why wouldn't it be advisable to make VA procedures more compatible with private hospital practices in this respect in order to facilitate valid cost comparisons?

B. Does this phenomenon occur in VA medical and surgical units? If so, please describe some typical examples of the circumstances in which medical and surgical patients are given such passes.

Answers 37A & B.

Granting of authorized absence to hospital patients is discouraged, and is to be approved by a physician only for very compelling reasons. These could be administrative reasons such as loss of heat in winter or other natural disasters; therapeutic to determine if the patient can be re-integrated into his home environment, or for emergency reasons, such as a death in the family. In addition, on long holiday weekends, patients are permitted leave for administrative and resocialization reasons.

Pass days are authorized up to, but not exceeding 96 hours. They are included in the count of patient days.

Pass days have been tabulated since 1958 in the management information system. The number of pass days counted in patient days has dropped from more than 4% to 2.2% system-wide in FY 1981. This means that on any given day some 1,460 patients of the average daily VA hospital census of 66,376 are on pass.

On two occasions, the Department has sought information on the practice of pass days from the American Hospital Association and several major medical centers across the country. The medicolegal recognition of pass is uniform in VA and non-VA health care. The financial aspects of charging in the private sector are not. If the pass is in a 24-hour period, charges are made. If the pass is over a weekend in a private sector facility, charges may or may not be made, dependent upon the agreement with third-party payors or the state rate setting commission. It could be assumed that where third-party payors will not accept pass day charges, the charge is absorbed in some amount by all full-pay patients.

Deleting pass days from patient days has two attractive aspects for DM&S staff. It would increase the turnover rate, and decrease the length-of-stay system-wide. These would make DM&S more comparable with private sector facilities. In our opinion, however, there are administrative costs that outweigh the advantages.

The requirement to discharge a patient instead of placing on pass would require additional work for nursing, medical staff, building management, medical administration, social work and other support services. Discharge as opposed to use of pass would require terminal bed cleaning procedures. Discharge and re-admission would entail doubling of medical record processing to close and re-open clinical records as required by the Joint Commission on Accreditation of Hospitals and DM&S policy. A conservative estimate of cost to do this is about $225 per case.

Since 1958, and especially since 1970, all policy statements on pass have been more restrictive. Another impact is the utilization review carried out at medical facilities. We believe our policy sound from a medical viewpoint.

We also believe resource allocation, staffing standards, quality of care reviews and utilization reviews will continue to drive use of pass to an absolute minimum in our facilities.

The following table for all medical centers with SHIPS (Summary Hospital Inpatient System) shows pass experience in 16 facilities for FY 1981. The experience is representative of the system. You will note two facilities do not use pass at all. In others, those with a concentration of long-term psychiatric cases, pass days are used more heavily on that service than in medicine and surgery.

SUBJECT TO CHANGE

TOTAL DAYS OF CARE/PASS DAYS FOR SELECTED VA MEDICAL CENTERS FY 81

PASS DAYS AS % OF PATIENT DAYS

	Total Days	%	Med.	%	Surg.	%	Psych.	%
TOTAL	2,619,757	1.2	981,647	.9	791,795	1.3	846,315	1.5
Allen Park	118,160	0	42,217	0	43,755	0	32,188	0
Bronx	154,653	.7	69,322	.5	65,843	.5	19,488	1.9
Chicago (Lakeside)	118,358	.2	67,051	.2	44,522	.1	6,785	.8
Cleveland	333,551	0	95,785	0	64,112	0	173,654	0
Dallas	178,033	5.6	66,602	2.6	68,942	6.9	42,489	8
Denver	105,334	.5	31,665	.5	48,729	.4	24,940	.6
East Orange	201,319	1.4	94,330	1.2	69,678	.7	37,311	3.5
Iron Mountain	52,446	1.2	32,947	1.5	19,499	.6	—	—
Lexington	181,128	.4	46,005	.1	36,568	.3	98,555	.6
Madison	77,422	3.2	34,013	3	38,731	3	4,678	6.4
Memphis	191,932	.5	75,912	.3	61,550	.4	54,470	.8
Pittsburgh (H. Dr. & Univ. Dr.)	274,636	.9	68,504	.4	48,803	.9	157,329	1.2
Portland/Vancouver	180,158	1.8	95,053	1.5	61,273	1.4	23,832	4
San Diego	125,739	2.3	50,756	2.0	45,110	2.8	29,873	2
Tomah	169,219	1.3	57,843	.3	—	—	111,376	1.8
Wood	157,669	.8	53,642	.7	74,680	.7	29,347	1.5

Question 38. **Please explain the circumstances resulting in the $1,323,000 decrease in CHAMPVA.**

Answer 38. The workload related decrease of $1,323,000 in CHAMPVA results from a reduction of 3,721 outpatient visits ($323,000) and a reduction of 11 inpatient census ($1,000,000). This is in line with workload reductions experienced in recent years. The FY 1983 total level for CHAMPVA is an increase of $1,953,000 over FY 1982. This increase is the net result of the workload related reduction of $1,323,000 and the amount required for rate increases of $3,276,000.

Question 39. **In your FY 1982 budget, you estimated an outpatient dental fee workload of 37,985 cases, and your current FY 82 estimate is 62,500 cases. Please provide a detailed explanation of the factors that caused your original estimate to be so far off.**

Answer 39. **The underestimated workload of 37,985 fee dental cases, contained in the approved FY 1982 budget, can be attributed to a variety of factors. During the formulation phase of the 1982 budget, the dramatic increases in workloads generated by PL 96-22 were not predictable with certainty. For example, the FY 1980 first-year, actual experience revealed that 36,000 additional cases resulted from that legislation alone, but that by FY 1981, that figure rose to 55,000 additional cases. To compound the problem, the FY 1982 estimates were administratively linked to the FY 1981 buget, which ultimately proved to be inadequate because it was unknown during the FY 1981 budget formulation cycle that PL 96-22 also included benefits to veterans who were granted 100 per cent service-connection by virtue of their unemployability. This provision increased the potential beneficiary pool in excess of 100,000 veterans, who were not considered in earlier workload projections. This resulted in concomitant fee-basis funding increases with the deficits funded through nonrecurring resource realignments in DM&S. During the FY 1982 process, the agency recognized that fee-dental workloads were understated and the FY 1983 workload estimates were realistically readjusted and funding support realigned on a recurring basis.**

Question 40. **Your budget shows a VA nursing home length of stay of 490.5 days in FY 81 and 608 days for both FY 82 and FY 83 -- a 24-percent increase from FY 81 to FY 82 and a zero-percent increase from FY 82 to FY 83. Please provide a detailed description of why this figure is rising so dramatically in FY 82 and not expected to increase at all in FY 83.**

Answer 40. **The VA nursing home length of stay for the past five years has varied from a low of 490.5 in FY 81 to a high of 800.0 in FY 78. Although there appears that there is a decreasing trend, there is insufficient evidence to indicate that this trend will continue. Therefore, the estimates for FY 82 and FY 83 were based on an estimate of a 5 percent average monthly turnover rate. The resulting 608.0 day length of stay approximates the average length of stay for the past five year period.**

Question 41. On page 6-38 of your budget documents, obligations for "Other Real Property -- Rental" is shown as increasing from $4,820,000 in FY 82 to $7,085,000 in FY 83 -- a 47-percent increase in one year. Please explain why this sharp increase is expected.

Answer 41. The increase represents cost for the Santa Barbara Outpatient Clinic of $186,100 which is scheduled to open in March 1982, start-up costs for the Bradford County Outpatient Clinic of $700,000, and the Pensacola Outpatient Clinic of $1,083,300. This totals $1,969,400. The additional increase anticipates escalating rental costs for existing leases and projected space expansion.

Question 42. In FY 80, your medical and prosthetic research account outlays were $117,270,000. For FY 83, outlays for this account are estimated to be $137,644,000. In order to provide a comparison of the real level of expenditures in this area in those two years, please compare FY 83 outlays for this account with the FY 80 outlays in terms of FY 80 dollars.

Answer 42. The outlays in FY 1979 were $117,270,000 compared to an estimated $137,644,000 in FY 1983. Using inflation rates of 9.3%, 8.3%, and estimates of 7.5% and 5.9% for Fiscal Years 1980 through 1983 the Consumer Price Index will be an estimated 134.8 Thus an estimated outlay of $137,644,000 for FY 1983 represents an outlay in FY 1979 dollars of $102,100,000.

Question 43. On page 15-3 of the VA budget documents, you state that it is the design policy of the VA generally to "incorporate all of the minimum requirements of the most current GSA standard for accessibility." Why do you not now follow the minimum standards and requirements of the Architectural and Transportation Barriers Compliance Board and do you plan to begin doing so? Please consult with the Board in preparing your reply and request that the Board provide its views for the record if they differ from your response.

Answer 43. Primarily, VA is mandated by the Federal Property Management Regulations (41 CFR 101) to comply with the minimum requirements of the most current GSA accessibility standard, which is PBS (PCD):DG6, dated October 14, 1980.

The A&TBCB minimum guidelines and requirements, on the other hand, are not a standard. The Board was authorized under a 1978 amendment to the Rehabilitation Act of 1973 "to establish minimum guidelines and requirements for standards." It may be well to note here that the minimum guidelines, initially adopted by the Board on January 6, 1981, are in the process of being revised for cost-effective purposes. The proposed revised minimum guidelines and requirements have been published in the January 27, 1982, Federal Register for public comment.

Based on the proposed revised A&TBCB minimum guidelines and requirements, the four Federal standard-setting agencies (General Services Administration, United States Postal Service, and the Departments of Defense and Housing and Urban Development) have jointly drafted the "Uniform Federal Accessibility Standard." This proposed standard will, within the next few weeks, be published in the Federal Register for public comment.

Inasmuch as the VA is a member of the A&TBCB, we have participated actively in the entire decision-making process revolving around the issuance of guidelines and standards. To seek independent comment from the entire Board would be difficult since it is not scheduled to meet as a deliberative body until March 9, 1982.

Question 44. With respect to the proposal to modernize various buildings at the Biloxi, Mississippi, VAMC, you indicate (at page 26-8 of volume IV) that "Floodplain requirements will be included for all existing buildings at the Gulfport Division." Please clarify what it means to include a "floodplain requirement"?

Answer 44. **The floodplain requirements (in compliance with E.O 11988, Floodplains and Wetlands Management) at the Gulfport Division of VAMC Biloxi, Miss., involved early project planning (for eventual implementation) to minimize the impact of floods on human safety, health and welfare and to reduce the hazard and the risk of flood loss from hurricanes. Based on the .2% probability of flooding in any given year (500 year floodplain), the decision was made on this modernization project to minimize the post-flood "down time" of effected buildings by locating critical utility elements (transformers, pumps, valves, switchpanels, compressors, etc.) above projected floodwater elevations and by designing upper floors to function independently while the groundfloors are being restored. Our objective is to implement all floodplain requirements at VAMC Biloxi at no additional project costs.**

Question 45. You have requested, in connection with the modernization of certain buildings at the VAMC in Chillicothe, Ohio (at pages 26-23 and 24 of volume IV), an authorization and appropriation of $2.7 million. This is in addition to the appropriation of $13.7 million enacted by the Congress for this project in fiscal year 1981, at which time, the entire cost of the modernization project was estimated to be $13.7 million. Your justification for the fiscal year 1983 request for this construction project provides no explanation of the need for an additional $2.7 million. Specifically, what is the justification for this request?

Answer 45. **Additional funds in the amount of $2.7 million were requested for the modernization of certain buildings at VAMC Chillicothe, Ohio, to allow for escalation costs created by the two-year deferral of the construction award. President Reagan deferred this project for one year in FY 81 and then renewed the deferral action for another year in FY 82. Congress accepted this deferral action with the budget amendments.**

Question 46. The budget documents also set forth requests and justifications for five construction projects -- at Denver, Bay Pines, North Chicago, Palo Alto, and San Francisco -- which were initiated prior to October 1, 1979. A footnote to the authorization request and Index chart on page 24-5 of volume IV states that "Funds on these projects are available from before the FY 1981 appropriation which preceded institution of the authorization process." Since section 302(b)(1) of Public Law 96-22 provides that projects approved by the President prior to that date are not subject to the Veterans' Affairs Committee's approval process requirements, why are these projects included in your authorization request?

Answer 46. **The Medical Construction and Leasing Authorizations Congressional Submission for Fiscal Year 1983, Volume IV of IV, (February 1982) set forth a comprehensive authorization request and index for the Agency's construction projects. Included on this list were five (5) projects approved by the President prior to October 1, 1979: Denver, Bay Pines, North Chicago, Palo Alto and San Francisco. It was recognized by the Agency in preparing this submission that the listing of these projects** was not required for the Veterans' Affairs Committee's approval process as, in fact, they were initiated prior to October 1, 1979. However, they were included for informational purposes specifically so the Committee would have before it a complete list of the Agency's projects, both those previously approved and those submitted for approval at that time.

Question 47. At page 6-17 of the VA's budget documents, under the heading of "Real Property Rental", you indicate that "One project requires more than $500,000 for GSA leased space in 1982 (Columbus, OH, $543,900) ...."

A. Since leases in excess of $500,000 are subject to the Committee approval requirement, why has this lease not been submitted for approval?

Answer 47A. **The approval process for the relocation of the Columbus, OH, clinic into new leased space took place several years ago -- prior to October 1, 1979, and thus it is our understanding that authorization by the Committee is not required. The $543,900 represents gross rent inclusive of services and utilities. The net rental, however, remains below prospectus requirements. This clinic was activated in January 1982.**

B. What is the estimated cost of this lease in FY 83?

Answer 47B. **The estimated cost is $543,900 based upon the best available data.**

Question 48. The VA Budget Summary indicates that legislation -- estimated to cost $100,000 in each of fiscal years 1982 and 1983 -- will be proposed to permit the VA to "accept contributions for construction projects on land adjacent to and facilitating safe ingress and egress with national cemeteries."

A. As I understand it, this proposal is actually for an authority to permit the VA to contribute to construction projects on non-VA property if necessary for safe ingress to and egress from national cemeteries -- similar to the authority in section 5008 of title 38, relating to safe medical facility ingress and egress. Is that an accurate description of your proposal?

Answer 48A. That is correct. There is no existing statutory authority under which the Administrator of Veterans Affairs may negotiate or contract with States, counties, municipalities, private firms or private citizens for the purpose of making contributions to improve public or private lands, roads or walks contiguous with or in the immediate vicinity of national cemeteries. The purpose of this legislation would permit contributions for construction improvements when such improvements are for the benefit or greater good of the cemeteries.

B. In a somewhat related matter, I wrote to the Administrator on January 21 regarding an ingress and egress construction project proposed to be carried out in connection with the construction of a replacement medical center in Little Rock, Arkansas. I would like to make my letter a part of the hearings record, and I would urge you to respond to that letter at the earliest opportunity so that your reply can also appear in the record.

ALAN K. SIMPSON, WYO., CHAIRMAN
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THOMAS E. HARVEY
CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, D.C. 20510

January 21, 1982

Honorable Robert P. Nimmo
Administrator of Veterans' Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420

Dear Bob,

Thank you for your December 1, 1981, letter advising me of the approval of a construction project at the VA's replacement hospital in Little Rock, Arkansas.

In this time of limited Federal resources and substantial cutbacks in approved VA construction projects, I am concerned about the nature of this undertaking -- a project to upgrade the off-site traffic access to the VA facility at a cost of approximately $1 million to the VA. I would appreciate receiving more information pertaining to this project; specifically, please advise me as to the total project cost (including all contributions by the City of Little Rock), provide a map of the area that will be affected and a copy of the VA-City of Little Rock sharing agreement, and explain in more detail the need for the project and the nature and extent of participation by the City. Also please compare the scope and extent of VA funding for this project with any undertaken in the past five years or now planned under the 38 U.S.C. 5008 authority.

Thank you for your attention to this request.

With warm regards,

Cordially,

Alan

Alan Cranston
Ranking Minority Member

CC: Dr. Donald Custis

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF
VETERANS AFFAIRS
WASHINGTON, D. C. 20420

FEB 16 1982

Honorable Alan Cranston
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

I am pleased to respond to your January 21, 1982, letter regarding the off-site street improvements project at the VA's Replacement Hospital, Little Rock, Arkansas.

The total cost of this project is estimated at $1.5 million. Under the agreement with the City of Little Rock (copy enclosed) the VA's 66.67% share will not exceed $1.0 million. The enclosed map delineates the affected streets.

The Little Rock Replacement Hospital project, now under construction, is located on a donated 23 acre site next to the University of Arkansas Medical School. This new facility is approximately eight miles from the existing VA Medical Center which will be vacated upon activation of the Replacement Medical Center. The new facility has 505 acute beds and will have a projected outpatient workload of 105,363 annual visits. The projected staffing is 1,953 full time personnel. The VAMC Little Rock Traffic Flow Analysis reflects the following:

Morning Peak Hour Flow - New VA Traffic Daily

> The greatest impact will be from the Cedar and Pine Street Interchange. 802 VA vehicles will enter the VA site from this area. Of the 802 VA vehicles, 574 are hospital staff, eight are visitors, and 220 are outpatients.

Evening Peak Hour Flow - New VA Traffic Daily

> Of the 642 VA related vehicles which will leave the VA site using the Cedar and Pine Interchange, 587 are hospital staff and 55 are outpatients.

The area and streets just east of the new site are residential. The neigborhood is 30 to 40 years old. The streets are only 18 to 20 feet wide, in bad condition and do not have traffic signals. The southeast access to the new facility is off the Wilbur D. Mills Freeway and through these residential streets. In addition to the automobile traffic, there will be heavy commercial truck traffic to supply the hospital's material needs.

An independent traffic consultant's study was accomplished in support of the need for the off-site street improvements project. The VA's 66.67% share in participation was based on the VA's exclusive impact on traffic as compared to the existing residential traffic.

The Environmental Impact Study (EIS) relating to the replacement hospital project expressed the need for the off-site street improvements project to mitigate the adverse impact on traffic. The EIS also included the scope of this project.

We have not had a similar project of this type in the last five years under 38 U.S.C. 5008 authority. We are not presently contemplating a similar project.

Your interest in this matter is appreciated.

Sincerely,

ROBERT P. NIMMO
Administrator

Enclosure

C. If the Committee were to approve this proposal, would you find it acceptable to incorporate a maximum limitation of $100,000 annually for such projects?

Answer 48C. An annual limitation is not recommended. The $100,000 annual estimate was based on an overall five year legislative cost estimate of $500,000. The estimate of $100,000 for both FY 1982 and 1983 was based on the annual average of the 5 year cost estimate. We think that over a five year period the total cost of this proposal would not exceed $500,000 but for certain years the requirements may exceed $100,000.

PREPARED STATEMENT OF ROBERT E. LYNCH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and Members of the Committee:

The American Legion appreciates the opportunity to present its views on the Veterans Administration Budget for Fiscal Year 1983, that has been submitted to the Congress by the President.

The President's Budget for the Veterans Administration proposes Budget Authority of $25.6 billion, an increase of $867 million over the approved Budget for Fiscal Year 1982, and Outlays of $24.3 billion, an increase of $222 million over FY 1982. The proposed VA Budget would comprise 3.2% of the total Federal Budget for Fiscal Year 1983. The Budget for VA for FY 1982 accounted for 3.3% of the total Federal Budget for the current Fiscal Year.

Several observations are in order at the outset of any discussion of proposed funding for veterans programs for the ensuing fiscal year. First let us state The American Legion's basic position on this matter.

The American Legion believes that when the national priorities are established, veterans should rank second only to national defense. We believe this because veterans are the men and women who have responded to the nation's call to defend the national interest in the Armed Forces of the United States. While such service is indeed a duty of citizenship, it begets an equal responsibility on the part of the national government not to forget those who served when that service has been honorably completed.

The first obligation of the Government, clearly is to those who were disabled in service, and then to all those who honorably served.

The Government of the United States has essentially met its obligation to its veterans, and the proposed Budget for FY 1983, indicates it intends to continue doing so.

The American Legion stands for full funding for veterans programs. By this is meant that all veterans programs are viable and fulfilling the purpose for which they were intended when established, and such funds as are necessary to keep them operating should be provided.

Having made those statements, The American Legion further observes that the nation is in a period of recession and economic difficulties requiring strict fiscal restraint in Federal expenditures. The Legion acknowledges that veterans must share in those restraints. The fact that the percentage of the Federal Budget allocated to veterans programs has declined in the proposed Budget indicates clearly that veterans programs are not consuming an increasing amount of the Federal dollar.

If the proposed Budget is enacted, a number of needed adjustments in veterans programs will have to be deferred, and some adjustments in benefits will be made. The American Legion considers those deferrals and adjustments to be the contribution of the nation's veterans to the difficult economic situation in which the nation now finds itself.

Having said that, it must next be said that the President's proposed Budget for VA is the absolute minimum that can be appropriated if veterans programs are to remain viable. At a decrease of 1/10th of 1 percent of the total Federal Budget, the FY 1983 Budget is in fact a decremental budget. It does not allow for the 8.9% rate of inflation that prevailed during calendar year 1981. For example, it must be borne in mind that the cost of pharmaceuticals, medical supplies, and health professionals escalates at a minimum at the prevailing rate of inflation.

We will say here that The American Legion appreciates the fact that the President's Budget recognizes both the national obligation to veterans and certain needs that have to be met to fulfill those obligations - and yet the Budget does not provide for any growth, either in benefits, or in operational costs. The American Legion is grateful for the concern the Budget expresses, and this organization is willing to accept some of the adjustments proposed, as the veterans' contribution to the national welfare.

In all departments and activities of the VA, the Legion accepts the manpower provisions that have been made, with the exception of an average loss of employment of 199 in Medical and Prosthetic Research.

Staffing in the Research Program is perilously thin. That program has been denied funds for the past several years, to the point that the ability of the agency to maintain a productive research program is marginal. The proposed increase in funding for FY 1983 of just under $10 million, will be consumed mostly by pay raises - so there is no growth in the Research Program planned for FY 1983. A further loss of personnel will render it more difficult to carry on meaningful research activities.

We make a point of this because research is in fact an essential element of the VA program of comprehensive medical care for veterans. If the research program is extinguished, the ability of VA to attract and retain high quality physicians will be materially damaged, as will the affiliation program that has associated VA with the finest medical schools in the country.

The American Legion asks that there be no reduction in personnel in Medical and Prosthetic Research, and that the Committee recommend sufficient funding for the Program to assure a vigorous and dynamic research program to be conducted by the Department of Medicine and Surgery.

With further reference to the Medical Care Program, the Legion has some serious concerns. In the first place, however, it must commend the allocation of an additional 1,259 in average employment, that will bring the staff to patient ratio to 2.24. We would like to see the staff to patient ratio maintained at 2.50 at a minimum, which would still be less than is found in most private sector hospitals, and substantially less than in university hospitals.

As to our concerns, we have serious concerns in the areas of the Nurse Scholarship Program, Beneficiary travel, the development of Health Information Systems and the computerization of pharmacies in the larger hospitals.

The Health Professional Scholarship Program was legislatively authorized by Public Law 96-330. To date it has not been implemented due to lack of funds. In the FY 1982 appropriations there was provided a sum of $4 million for a Nurse Scholarship Program, and the DM&S had planned to start the program for nurses in September of this year. If no funds are provided for FY 1983, however, the program cannot be started, because the payback obligation is for a minimum of two years, and the scholarships must be provided for that period at minimum.

This leads to a discussion of the nursing situation in the DM&S. That situation is critical in the shortage of Registered Nurses that is being experienced.

In the first place, of course, there is a national shortage of professional nurses, and VA must compete on the open market for its share of the available supply. To overcome the shortage, hospitals in the private sector, and university hospitals are putting together salary and benefit packages that VA is hard-pressed to match. In 1981 the Field Service of The American Legion made site visits to 63 of the 172 VA medical centers. Copies of the site visit reports are available to the Committee, and they are recommended reading. We doubt that any other organization or agency outside VA itself, including the Committee staff, visited as many medical centers during the year as did the Legion.

The site visit reports show serious staffing shortages in many medical centers. They show critical nursing shortages system-wide. Our site visit reports reflect wards closed, Intensive Care Units closed, badly needed Nursing Home Care Units operating at reduced capacity - all as a result of nursing shortages. And all of this at a time of increased demand for care by sick and disabled veterans, many of them in the aging category.

VA has got to do something about this nursing shortage. What is needed is funding and authority for VA to put together packages that will enable it to compete in the open market for its share of professional nurses. Congress has a responsibility to see that this is done.

One of the things that must be done is to implement the Nurse Scholarship Program. The proposed budget allocates no funds for this purpose. And here we are talking about a minimal amount of a few million dollars that will enable DM&S to start up the program on October 1, and continue it for a minimum of two years.

We ask the Committee to recommend funds for this purpose in its submittal to the Budget Committee.

Another area of concern is the expansion of Health Information Systems in the DM&S. Presently VA lags far behind the private sector in the computerization of health care delivery. As in so many other things, the age of computers has arrived in delivery of medical care. Doctors practicing "state of the art" medicine expect to have automated health information systems available to them. In VA, for the most part they are not available.

The Committee should require from the DM&S a plan to fund the computerization of the Department, including the pharmacies in the larger hospitals. Unit dose pharmacies are the modern way to handle pharmaceutical distribution in hospitals. They are efficient and provide greater inventory, and thus cost control. It makes no sense for VA to manage its pharmaceutical distributions without them.

A word about one particular aspect of benefits within the medical care program - namely Beneficiary Travel. This is a statutory benefit provided in particular recognition of the fact that the majority of VA medical care beneficiaries are poor. We are advised the Beneficiary Travel account for the DM&S for FY 1983, will be reduced by $17 million, from $82 million to $65 million. Inevitably, cutbacks of this kind fall most heavily on the most needy class of beneficiaries. We encourage tight management of the Beneficiary Travel program, but we also caution that those who qualify for this benefit should not be denied it, and in fact cannot be as long as it is a statutory benefit. We do not see how the Beneficiary Travel account can be reduced for FY 1983, while the outpatient visit load is estimated to increase to more than 18 million visits.

Public Law 96-330 also authorizes an increase from the present 8 to a maximum of 15 of the Geriatric Research Education and Clinical Centers. To date no funds have been provided for the expansion of this program, and none is allocated for FY 1983.

Considering that the most critical concern of the total medical care program for the foreseeable future lies in the area of care for aging veterans, this omission should be rectified.

In PL 96-330 Congress mandated establishment of a Geriatrics and Gerontology Advisory Committee, to study and submit recommendations to the Congress in 1983. That Committee has been appointed and is functioning. The American Legion was chosen to provide consumer representation on it. The Committee will submit its report when scheduled. In the meantime, the GRECCs are doing important work in the area of research and education of health care professionals in care for the aging. The work being done will benefit not only veterans, but all Americans, as the nation prepares to cope with the increasing longevity of its population. The American Legion believes the GRECC program should be expanded as provided by law.

The American Legion again voices a warning against the continuing closing down of acute care beds within the VA system. Operating beds were at 80,436 at the close of FY 1981, while authorized operating beds are shown at a level of 80,900, to decline to 80,400 by close of FY 1983. While it is true the system is increasing its nursing care beds to 10,000, it must nevertheless be anticipated the system will be confronted with an increasing number of older veterans who are experiencing catastrophic illnesses such as cancer, heart disease and stroke. These will require acute care beds. In the judgment of The American Legion, in no circumstances should Congress allow the agency to decrease its acute care operating beds below the level of 80,000.

The American Legion is grateful that the proposed Construction Medical Program has been increased by $136 million over the FY 1982 allocation, to a total of $576.7 million; and the Grants to State Homes by $3 million to $18 million. Last year the medical construction program experienced severe cutbacks in the Administration's efforts to reduce the FY 1982 Budget. The American Legion objected to this for the simple reason that it is not sound economy to postpone needed capital improvements in a time of inflation. The deferred improvements simply cost more when they are finally accomplished. That has been the case with the medical construction program. The capital plant of the system is in need of massive immediate and long-range renovation and replacement. It is in the interest of the Government to keep the capital plant of the system in a state of good repair to meet current and future needs, and in view of the national defense role that is now being assigned to the VA medical care program. The capital improvement deferrals of FY 1982 are simply going to cost more in FY 1983 and 1984.

It is important to note there are hospitals in the system that were built prior to World War II, and there are many more hospitals that were built immediately following WW II, when the system was rapidly expanded. None of those hospitals are configured to accommodate the practice of modern medicine. They should be replaced or renovated, not only because the replacements are needed, but also because they represent a multi-billion dollar investment by the Government in the health of veterans and of the nation. The longer the replacements are put off the more they will cost - and that is not good business for the Government.

The increase in Grants to State Homes will provide more and better facilities for the care of veterans, and alleviate to some degree the pressures on the VA system. That is a good investment for the Federal Government.

We would like to speak now to some of the legislative initiatives the Administration will propose for Fiscal Year 1983.

In the first place, The American Legion is appreciative of the proposed 8.1% adjustment in compensation and Dependency and Indemnity Compensation for survivors. This increase approximates the inflation rate for calendar year 1981, and will be of direct economic assistance to the service disabled and the survivors of the service deceased, those who are in fact the most deserving of all Federal beneficiaries.

The American Legion does not agree with the proposal to eliminate the dependency allowance for veterans who are compensated at the 30 and 40% level. These are serious levels of disability, and the dependence allowances [illegible]f direct help to the recipients who have dependents. This was [illegible] rationale behind the legislation of several years ago that established this benefit. That rationale is as sound today as it was then - and today's economics are complicated by the lingering inflation that prevails.

The American Legion does not agree with the change in definition of a dependent child from age 23, while in education status, to age 19, for pensioners and for those disabled veterans who are being trained in VA's Vocational Rehabilitation Programs for the service disabled.

In the first place the Legion disagrees with any benefit reduction that affects the service disabled. Second, pensioners are by definition subsisting at the poverty level, and thus are in need of all the assistance that can be given them. When they have children who are still being educated, the loss of this benefit hurts not only the veteran, who is elderly and poor, but also prejudices the opportunity of the veteran's children to reach above the poverty level, through education and training advantages.

As far as the Federal Government is concerned, we consider this to be false economy.

As to the legislative proposals affecting first full month of payment, end-of-year to end-of-month, and issuance of checks in even dollars, the Administration estimates savings of some $42.5 million by these actions. The American Legion will accept these, though without enthusiasm, as part of the effort toward fiscal restraint.

The proposed Budget for FY 1983 is silent on the subject of any increase in the subsistence allowance for Vietnam Era veterans in training under the GI Bill. These allowances were last increased effective October 1, 1980. The inflation level for the period since that date approximates 10%. Everyone knows what has happened to the cost of education. The Government has a direct obligation to recognize the increasing cost of education in the subsistence allowance for GI Bill trainees - all of whom are Vietnam veterans.

Under the heading of legislative initiatives, The American Legion must now address a matter on which the proposed Budget for FY 1983 is silent; and that is the burial benefit for veterans that was eliminated in the Budget and Reconciliation Act of 1981. This elimination was a mistake on the part of Congress, and it should be restored this year.

This elimination effected a saving of some $61 million for FY 1982, and purports an additional saving of $5.7 million for FY 1983.

The other side of this proposition is that the burial benefit is the single monetary benefit that has been available to the entire 25.7 million population of war veterans. We ask the Committee to contemplate the fact that only 10% of the veteran population receives compensation; less than 10% qualify for pension; slightly in excess of 10% ever use the veterans hospitals; not more than half of all veterans ever use the GI Bill education programs. Thus, not more than half the entire war veteran population ever receives any benefit from the Government, with the exception of the GI Home Loan Benefit - which is not a monetary benefit, but only a guarantee, and the burial benefit which has provided $300 to all war veterans to insure them a decent burial. Is that really asking too much of the Government for more than half of all those who have served honorably in war?

While the Administration's budget proposal is silent on this benefit, The American Legion has introduced legislation to seek its restoration, and we seek the support of the Committee to advance this legislative proposal. With The American Legion it is a matter of equity and fairness, and it does not represent that much money in a total Federal Budget that is in excess of $700 billion - even with a veteran mortality rate that exceeds 340,000 per year.

Mr. Chairman, and Members of the Committee, in this statement we have addressed only those aspects of the proposed VA Budget for

Fiscal Year 1983 that we believed merited particular comment. We repeat what we stated at the outset, that The American Legion is appreciative of the consideration that is shown in the proposed Budget for veterans and their needs and problems.

We do want to reiterate our comment that the allocations for the medical care program are no more than a straightline approach to the multiple complexities and problems of the comprehensive medical care program for veterans that is mandated by Congress for the nation's veterans. That program deserves careful care and attention by the Committee. And that is especially true in consideration of the added mission of a national defense responsibility that has now been assigned by Congress to the VA Department of Medicine and Surgery.

The VA Budget now approximates $25.6 billion. Of this amount 62.6% is paid in direct benefits to veterans, their dependents and survivors. Of the total amount, 32% is for the cost of medical care. Only 2.9% represents the administrative costs of operating the programs, and 2.5% is for construction costs, which is a capital investment.

The point to be borne in mind in evaluating these not inconsiderable costs in relation to the overall Federal Budget, is that the total cost of veterans programs is an identifiable cost of war. The $25.6 billion VA Budget for FY 1983, is the fruit of WW I, WW II, Korea and Vietnam, the four wars in which the nation has engaged in the Twentieth Century. The Government of the United States must be prepared to accept the consequences of its own actions, and one of those consequences is the cost of programs for the men and women who did respond to the nation's call and served during the periods of conflict.

We know that Members of Congress have always borne these facts in mind in preparing fund allocations for veterans programs, and we of The American Legion are appreciative and grateful for that fact.

We thank the Committee for its understanding consideration of the funding requests for veterans programs for Fiscal Year 1983.

PREPARED STATEMENT OF DR. HERBERT G. ROSE, PRESIDENT, ASSOCIATION OF VA INVESTIGATORS AND RESEARCH ADMINISTRATORS

Mr. Chairman, and Members of the Committee,

I am Dr. Herbert G. Rose, Associate Chief of Staff for Research and Development, VA Medical Center, Bronx, New York, and President of a newly formed organization of VA Investigators and Research Administrators called AVIRA. I have had the privilege of submitting testimony to this Committee in the past as the second President of the National Association of VA Physicians. Dr. Philip K. Bondy, ACOS for Research & Development, West Haven, Connecticut, VAMC, is Vice President and Dr. Ian E. Bush, ACOS for Research & Development, White River Junction, Vermont, VAMC, is Secretary-Treasurer. AVIRA has twelve Regional Directors who represent each VA Medical Center with a research program.

The impetus to form an organization for the purpose of explaining the VA Research Program to the Congress and National Service Organizations came from the severe cuts announced by VA Central Office on November 30, 1981. After the initial period of shock and disbelief and attempts to adjust to the crisis, we have, with virtually unanimous agreement, decided that the Research Program needs to make its case to those in Washington who decide the budget of the Program.

The VA Research Program is no stranger to cutbacks. We have had six years of diminishing support and an attempt to stop medical research altogether at 55 Medical Centers was made in 1979. Compared to patient care and education, research has consistently been selected for cuts. In the past, research funding had reached over 2.5% of total hospital funding, but is now reduced to 1.9%. The reason cannot reside in failure of the Research Program to produce. VA research has been highly productive, having made major contributions to medical science in studies of tuberculosis, hypertension, mental illness, coronary artery surgery, and diabetes, to mention only a few. A VA researcher made major contributions to development of the CAT scanner and two VA scientists have been awarded the Nobel Prize for Medicine in 1977. In 1979, the VA supported 1/3 of the entire nation's clinical research. Among government programs this one stands out as a major success in an important area of public service.

How then can we explain these cutbacks? Perhaps VA research is viewed as the activity of a group of zealous scientists working on obscure matters in wooden sheds behind VA Hospitals. Perhaps it is not understood that VA researchers are almost entirely VA staff physicians, who provide supervision of primary care doctors, teach, and who conduct research. Research studies occur in laboratories, in clinics, and in special clinical units. Research laboratories perform advanced tests to aide clinical care. Radioimmunoassays to assist clinical diagnosis and treatment was available to doctors at the Bronx VA Medical Center for years before it became available to all doctors in the nation. In order to recruit staff for a combined patient care, teaching, and research function, VA Medical Centers need a Research Program. VA Medical Centers employ physicians, some of whom are recognized throughout the world as authorities in their field of expertise. From this it is clear that the VA Research Program is an integral part of a Medical Center and should be treated as such. The major VA Hospitals are correctly called Medical Centers, rather than Hospitals, in recognition of this fact. The Medical Center can provide excellent patient care, as attested to by a recent National Academy of Sciences Survey. In addition, it serves to train doctors and scientists and also provide new knowledge. One-half of all doctors in the United States have had training in VA Medical Centers. Does the VA now plan to scrap the Medical Center concept and revert to running Hospitals? A Hospital can provide care alone, but of what quality? If the VA runs Hospitals only, could the next step be a reversion to "facilities" as existed prior to 1945?

We can only conclude that there is insufficient understanding of how research functions in VA Medical Centers. We propose that an "in the field" review be done to examine the VA Research Program. I invite you, and your staff, to visit a VA Medical Center either here in Washington or in your home state. The Associate Chiefs of Staff and investigators will welcome you into their laboratories and clinics to learn about what they are trying to accomplish, and the problems they face in accomplishing their purposes. You will be better able to appreciate crippling effects of this recent round of cutbacks through such visits.

The budget proposal of the Administration for FY 1983, might appear generous, yet it is below the actual level of funding in FY 1981. Basically, a 12% reduction in Research is accepted as an accomplished fact. The Research Program of the Department of Health and Human Services has not been subjected to such severe cuts. Career training positions are still being supported by HHS, but not by VA. The facts are that preservation of the status quo stops all new research from young, promising, staff doctors and has mortgaged the future of VA medical research programs. Established programs of merit will also have to be closed down. I understand that this was not the original intent of either Senate or House VA Committees. We ask that the budget for VA research for FY 1983 restore the cutbacks that have been imposed to allow the Research Program to move ahead, once again, to seek solutions to the diseases which inflict veteran and non-veteran alike.

U.S. Department of Labor

Assistant Secretary for
Veterans' Employment
Washington, D.C. 20210

February 10, 1982

Honorable Alan K. Simpson
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I appreciated the opportunity we had to brief your staff on the budgets of the Department's veterans programs.

The enclosed materials provide an overview of our veterans programs and corresponding budgets for Fiscal Years 1982 and 1983.

We will be pleased to provide any further information you may need. Thank you again for your assistance and personal interest in our programs.

Sincerely,

William C Plowden Jr.

WILLIAM C. PLOWDEN, JR.
Assistant Secretary for
Veterans' Employment

Enclosures

VETERANS EMPLOYMENT SERVICE

1981 Actual		1982 Estimate		1983 Estimate		Increase or Decrease	
Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
--	--	225	$8,137,000 1/	225	$8,535,000	--	+$398,000

1/ Excludes $298,000 pay supplemental estimate included in Employment and Training Administration, Program Administration.

Introduction

The Veterans Employment Service (VES) is devoted to maximizing employment and training opportunities for veterans. It operates under the direction of the Assistant Secretary for Veterans Employment, who serves as the principal advisor to the Secretary of Labor on the formulation and implementation of all policies and procedures affecting veterans. VES staff, located in every State and closely affiliated with the National and Regional Offices of the Employment and Training Administration (ETA), exercise functional supervision over the execution of veterans' counseling, training, and placement policies through the public employment service and the Comprehensive Employment and Training Act (CETA) programs. They also promote compliance by Federal contractors under the Federal Contractor Job Listing Program requirements, conduct a veterans' outreach and public information program, direct the implementation of special national demonstration projects to serve the unique needs of special veteran target groups and provide management assistance and training services to State Job Service, CETA prime sponsors, and special national projects staff.

The Federal administrative costs of the Veterans Employment Service are financed by the Unemployment Trust Fund as authorized by Section 901 of the Social Security Act, as amended.

1983 Budget Request

This activity will be transferred from the Employment and Training Administration, Program Administration.

The Veterans Employment Service will continue efforts in the areas of management assistance and training, including administration of the Disabled Veteran Outreach Program (DVOP), functional supervision, program monitoring and evaluation, and outreach and public information, to ensure that veterans receive adequate counseling, training, and job placement services. In addition, attention will be focused upon the training service system which succeeds the CETA system. Efforts will be made to link the new system's services with the Veterans Administration's benefits and outreach programs, DVOP, and the efforts of voluntary veterans service organizations. If funding for special national programs is authorized under legislation succeeding CETA, selected national and regional staff will be involved in the implementation and monitoring of programs aimed at assisting specific categories of veterans in overcoming unique barriers to employment. At the national/regional levels, priority will also be given to implementing new administrative/operational linkages with ETA offices in accordance with the inter-agency agreement developed between the Assistant Secretaries for Veterans Employment and for Employment and Training.

FY 1982

With the resources requested in 1982, including the program supplemental, VES plans to intensify its efforts to ensure that veterans receive adequate counseling, training, and job placement services. Training of veterans organizations representatives on CETA prime sponsor planning councils will be curtailed, but increased priority will be placed on training of Job Service agency staff. Due to the movement of staff in State Employment Security Agency (SESA), new Local Veterans Employment Representatives and DVOP staff will require training and/or management assistance. Priority will be given to assisting local offices in deliverying expedient job placement services to newly separated veterans now ineligible for unemployment compensation for ex-servicemembers. All SESA's will be provided assistance in developing revised Program and Budget Plans for FY 1982.

FY 1982 Accomplishments

Since unemployment among disabled Vietnam-era, minority, and young veterans is more severe than within the total labor force, greater emphasis will be placed upon private sector job and training opportunity development activities. Special national programs funded under CETA Title III will be conducted according to contractual arrangements with several organizations such as the G.I. Forum and Blinded Veterans Association.

Concerted efforts will be made to provide up-to-date public information to veterans concerning eligibility criteria for unemployment, employment, and training programs. Field staff will endeavor to maximize the involvement of voluntary service organizations to disseminate such information. High priority will be given to providing military separation centers with informational materials to ensure that veterans-to-be are aware of the job market situation and services available to them. Similarly, linkages with the Veterans Administration counseling centers will be upgraded.

1981

In 1981 the Veterans Employment Service was part of the Employment and Training Administration, Program Administration. The key workload measures carried out by VES in meetings its legislated mandates are as follows:

State ES/JS Office Evaluations	1,892
SESA Program/Budget Plans Reviewed	52
On-Site Monitoring of LVER's	1,315
Outreach and Public Information Visits	2,578

Disabled Veterans Outreach Program and U.S. Employment Service

The required staff levels for Disabled Veterans Outreach Program and Local Veterans Employment Representatives will be fully funded through the Employment Service. The Fiscal Year 1983 estimate for these staff is $99.4 million.

For the Employment Service the Department is requesting $740.8 million in FY 1983, to be funded by $718.6 million from the Unemployment Trust Fund and $22.2 million from the General Fund of the Treasury. This request will support 21,836 staff years in 1983, a decrease from the 23,300 to 24,800 staff years expected to be funded during FY 1982. In FY 1982, the request for the Employment Service totals $735.2 million to be funded by $710.1 million from the Unemployment Trust Fund and $25.1 million from the General Fund of the Treasury. The total 1982 request is comprised of a base request of $524.6 million ($505.3 million Trust and $19.3 million General funds) and a supplemental request, already submitted to Congress, of $210.7 million ($205.0 million Trust and $5.7 million General). The supplemental was required to meet added costs of Employment Service operations.

Employment and Training Programs

Authority for the Comprehensive Employment and Training Act expires September 30, 1982. For FY 1983, new employment and training legislation will be proposed that will consolidate many existing programs and which will eliminate the grants to local governments provided by CETA. The total FY 1983 budget authority proposed for later transmittal for this effort is $2.4 billion.

The largest portion of the new employment and training approach is for Training Grants to States. Under legislation to be proposed, $1.8 billion would be requested for this program replacing separate grants to prime sponsors with a single State grant for a redesigned training delivery system under which planning and operations will be carried out through a single set of administrative and programmatic requirements. The program will provide training to economically disadvantaged persons to enable them to acquire private sector jobs, thereby increasing their earnings and decreasing income maintenance dependence. The program will target those most in need of such training, including young adults and welfare recipients, and will ensure positive outcomes by directing training toward local labor market needs. Because stipend payments will not be provided to individuals who attend classroom training under the block grant, the budget authority provided in FY 1983 would enable approximately 1.1 million people, the same number of people as were in the core training programs in FY 1982, to be served. Somewhat lower numbers of participants may be expected in FY 1983 as the new program phases in.

The Job Corps will be retained in FY 1983 as a separate program under the proposed legislation, at a level of $387 million. The program, which serves severely disadvantaged youth aged 16 to 21, will continue reductions begun in FY 1982, by decreasing from an anticipated beginning of FY 1983 level of 32,000 slots to 22,000 at year's end. This will be accomplished by closing some centers and reducing the enrollment capacity of others.

The third portion of the new employment and training effort will be a Special Targeted Program, to be funded at a level of $200 million in FY 1983. The new legislation will provide for nationally-administered grants and contracts with organizations serving identifiable segments of the population with severe employment and training disadvantages. Such segments may include Indians and other Native Americans, migrants and seasonal farmworkers, displaced workers, veterans, displaced homemakers, and older workers. An estimated 80,000 individuals will be provided training in this program in FY 1983.

In Fiscal Year 1982 $1.3 million has been authorized for veterans programs (CETA Title III); a Fiscal 1983 level has not been finalized.

Unemployment Compensation for Ex-Servicemembers

Payment of unemployment benefit payments to former servicemembers (payments to former Federal personnel) is estimated at $20 million in 1983 and will provide approximately 9,000 beneficiaries an average of 20.5 weeks of benefits at an average weekly rate of $107.70 per week. This is an overall decrease from 1982 during which an estimated $85 million will be paid to approximately 36,000 beneficiaries for an average of 23 weeks at a rate of $102.10 per week. A large part of this overall reduction from 1982 to 1983 is due to legislation proposed for enactment in 1982, which limits unemployment benefits only to those ex-servicemembers involuntarily discharged under honorable conditions because of demobilization, reduction-in-force, or disability incurred while in the service.

VETERANS' REEMPLOYMENT RIGHTS

1981 Actual		1982 Estimate		1983 Estimate		Increase or Decrease	
Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
62	$2,439,000	48	$2,537,000	48	$2,609,000	-0-	+$72,000

Included above:
Pay deficiency..............($87,000)
Program supplemental........($14,000)

Introduction

The purpose of the Veterans' Reemployment Rights (VRR) activity is to ensure that those who serve their country in the interest of national defense do not lose their jobs and other employment benefits because of such military service. The request provides funds for salaries and expenses for the Office of Veterans' Reemployment Rights staff located in the National Office and for field staff to process the complaint case workload.

Veterans, Reservists, members of the National Guard, and others are provided assistance in obtaining reemployment, seniority, and other employment benefits to which they are entitled. Voluntary compliance is sought by informing employers and potential claimants of their responsibilities under the law and by assisting eligible claimants in determining and exercising their rights. All specific complaints are investigated and, if determined to be meritorious, voluntary compliance by employers is sought. If voluntary compliance is not achieved the claimant may request that the claim be referred to the Department of Justice for consideration of litigation. While all claims must be referred to Justice if the claimants so request, VRR recommends litigation only on those claims believed to be meritorious.

1983 Budget Request

The staffing level for the Veterans' Reemployment Rights program is the same as in 1982. The number of cases processed will remain at the 1982 level and the full effect of utilizing the VRR compliance strategy document, together with the increased effectiveness of the field investigators as they gain experience, should result in a higher quality of case handling.

Continuing emphasis will be placed on the program's mediation role and, where impasses arise, toward providing top priority to enforcement of cases where veterans/Reservists are denied lawful reemployment. Increased efforts will be made to resolve multiple-claim (i.e., potential class action) cases which will result in economy due to the attendant lower cost per claimant as opposed to individual case handling. Such measures will be carried out with no loss of protection to any claimant whose claim is processed by VRR.

1982

In order to enhance services and extend the reach of existing resources, special emphasis will be placed on the program's mediation services. This emphasis will prompt voluntary compliance and reduce dispute resolution time. In keeping with Departmental and Agency strategy, priority will be given hardship cases where veterans and Reservists are denied lawful reemployment. Concentrated effort will be extended toward resolving multiple claims through a single investigation or litigated claim such as in class action suits when all efforts at mediation are unsuccessful.

1982 Accomplishments

The revised VRR operations manual will be distributed to all VRR investigators and supervisors and will improve the quality of case handling. The revised manual includes a new system for reducing the time involved in processing non-meritorious cases to the Department of Justice. The revised Handbook will also be published in 1982 which will facilitate legal research of VRR cases and provide a definitive source of reference material for employers which will help achieve voluntary compliance with the law.

1981

Case production exceeded the 1980 level by 152 cases. Continued emphasis will be placed on notifying veterans of their rights under the law in furnishing them literature through the mail. Increased case production was due to the increased experience of supervisors and investigators which permitted them to utilize the intensive training they received the previous year and to continuing efforts to maximize the productivity of all available resources by adherence to the new compliance strategy document. The document provides a system of prioritizing workload in the area of investigative/mediative efforts and reinstatement and discharge cases. The strategy document requires the use of prompt on-site investigations concluding, where necessary, with mediation efforts. In spite of the increased production and changes in methods of prioritizing and processing cases the quality of case handling by VRR investigators remained at a uniformly high level.

Office of Federal Contract Compliance Programs

The Federal Contract Compliance program will continue to enforce provisions of Federal contracts which require government contractors to conduct all of their personnal activities in a non-discriminatory manner and to take affirmative action on behalf of minorities, women, the handicapped, veterans of the Vietnam era and disabled veterans. Discrimination on the basis of race, color, religion, sex or national origin is prohibised by Executive Order 11246, as amended; against the handicapped, by Section 503 of the Rehabilitation Act of 1973; against veterans, by Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974. More than 10,200 compliance actions will be conducted during 1983, covering some 2,000,000 protected employees. Included in the compliance actions will be more than 2,000 complaint investigations which will be brought to closure. Efforts to simplify procedures and reduce paperwork burdens, begun in 1982, will continue during 1983.

1982 Estimate		1983 Estimate	
Positions	Obligations	Positions	Obligations
1,008	$41.4 million	979	$42.6 million

1125 Fifteenth Street, N.W.
Washington, D.C. 20005

Mortgage Bankers Association of America

Burton C. Wood
Senior Staff Vice President
and Legislative Counsel

202-861-6505

February 26, 1982

The Honorable Alan Cranston
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Cranston:

On behalf of the Mortgage Bankers Association, the trade association of the Nation's mortgage banking industry, I should like to offer our comments, in response to your request, on the Administration's proposed fee for the Veteran's Administration (VA) home loan guaranty program as well as the effect on the VA loan program that the Administration's proposed commitment ceiling on the Government National Mortgage Association (GNMA) mortgage-backed security (MBS) program will have. These comments are for the Veterans' Affairs Committee's consideration when the Committee prepares its recommendations to the Budget Committee for the Fiscal Year 1983 budget.

MBA is opposed to the Administration's proposed one-half percentage point fee for VA guaranteed loans because it is unnecessary, and would impose an additional burden upon veterans who wish to become homeowners at a time when record high interest rates have already made this a difficult and almost impossible aspiration.

In calendar year 1981, approximately 66 percent of all VA-guaranteed home loans were no-downpayment loans. This unique feature of the VA loan guaranty program enabled many veterans, who otherwise could not afford homeownership, to purchase homes of their own. This feature is paticularly important during times such as these, when the Nation is experiencing record high interest rates. There is a 50 percent difference in the monthly payments on a $50,000 mortgage at 10 percent, a rate that prevailed in early 1979, and that same mortgage at the current VA interest rate of 16.5 percent. The required monthly payment for a mortgage with such a high interest rate precludes many families from affording a home of their own and requires those that do qualify to stretch their financial resources to the limit. Any additional fee, such as the one proposed by the Administration, could simply prove to be the critical expense charge that would place homeownership beyond the reach of many of those barely able to afford the purchase of a home today with a VA-guaranteed loan. A further reduction in the number of families able and willing to purchase a home today would simply add to the already severely depressed state of the housing and mortgage finance industries, who look to the VA program for approximately ten percent of all mortgage finance needs.

If the revolving loan guaranty fund were running large annual deficits on VA guaranteed loans, then a fee might be appropriate. However, this is not the case. For Fiscal Years 1981, 82, and 83, the VA revolving fund has been, or is projected to be, self-supporting. Thus, from a budgetary standpoint, the VA revolving loan fund is not a drain on the Treasury that the proposed fee would offset. Given the fact that the VA loan program is an entitlement granted to veterans for past service in the armed forces, MBA believes it is particularly inappropriate to charge a fee that is not needed. However, if Congress does permit a fee to be charged, MBA strongly believes that such funds that are collected should be targeted for use by the VA in the administration of its program.

MBA would also like to raise an additional and important point for consideration by the Committee with respect to the impact on the VA loan guaranty program that the Administration's proposed commitment ceiling on the GNMA-MBS program would have. Even though the GNMA program is properly within the jurisdiction of the Banking Committe, any limitations on it will drastically affect veterans' housing. The GNMA-MBS program, administered by the Department of Housing and Urban Development (HUD), is a secondary guaranty program that is entirely supported by user fees, and guarantees mortgage-backed securities, issued by private lenders, that are backed by pools of Federal Housing Administration (FHA) insured and VA-guaranteed loans. Appproximately 70 percent of all VA-guaranteed loans that are originated by mortgage lenders are placed in GNMA-MBS pools. The securities backed by these pools are sold to a diverse group of private investors. Thus, the GNMA-MBS is the primary financing vehicle for VA-guaranteed loans.

The Administration has proposed a commitment ceiling on the GNMA-MBS program for FY 1983 of $38.4 billion, which is nearly 50 percent lower than the FY'82 level of $68.25 billion. If the Administration's proposed ceiling for FY'83 is written into the budget resolution, the origination of VA-guaranteed loans could well be curtailed, as lenders could find themselves without a financing vehicle if the GNMA ceiling was reached during the fiscal year. The possibility of such an event occuring is very strong, according to the Administration's own figures.

For FY'83, the Administration is projecting commitments of $22.45 billion under the VA loan guaranty program and $35 billion under the FHA program. As stated earlier, appproximately 70 percent of all VA loans are financed through GNMA-MBS pools. The corresponding percentage for FHA loans is 80 percent. Multiplying these percentages by the Administration's projected commitment levels for the FHA and VA programs and adding them together to arrive at an approximate volume of GNMA-MBS commitments for FY'83 produces a figure of $43.71 billion, which is $5.4 billion above the Administration's proposed ceiling for the GNMA-MBS program. If that $38.4 billion ceiling is written into the FY'83 Congressional budget resolution and the FY'83 HUD-Independent Agencies Appropriations bill, then sometime during the summer of 1983, lending under the VA loan guaranty program could be severely curtailed when the GNMA-MBS program level is reached. If the housing industry is enjoying a recovery next year, that recovery could be severely hampered by a shutdown in lending under the VA and FHA programs, which together supply 20 percent of available mortgage credit to housing.

In order to forestall such a disastrous eventuality, MBA is urging Congress to set the ceiling for the GNMA-MBS program at $68.25 billion for FY'83, the same level as set for FY'82. Setting the level higher than the Administration's request will not increase budget outlays by a single penny, since the GNMA-MBS program is entirely supported by user fees, and will not increase the budget deficit one iota. What it will do is ensure that if the expected housing recovery does take place in 1983, then the VA loan guaranty program will be operating at full capacity to make homeownership a reality for thousands of veterans.

We respectfully urge the Senate Veterans' Affairs Comittee to include such a recommendation in its report to the Senate Budget Committee. We would be happy to furnish additional information if needed. Please contact me at 861-6507.

Sincerely,

Burton C. Wood
Senior Staff Vice President
and Legislative Counsel

National Association of Home Builders
National Housing Center
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0470

March 1, 1982

Robert D Bannister
Senior Staff Vice President

The Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans' Affairs
U.S. Senate
Washington, D.C. 20510

Dear Senator Cranston:

Thank you for your letter requesting our views on proposed legislation to establish a "user fee" on the Veteran's Administrations Home Loan Guarantee Program. We are opposed to enactment of this fee for the following reasons:

1. Affordability: At a time when high interest rates are pricing the majority of Americans out of the homeownership market, including our nation's veterans, we do not believe that additional costs should be imposed on already hard-pressed potential homebuyers. In addition, the legislation as proposed by the VA requires that the user fee be paid at the time of settlement rather than amortized with the loan amount. This will defeat the no down payment feature of the home loan program and make it more difficult for veterans to meet the closing costs involved in home purchase.

2. Entitlement Program: The VA Home Loan Guarantee Program is an entitlement for veterans who have so ably served our country. Imposing a fee on its use is not in the tradition of the program. Even the fee imposed for post-Korean war veterans was rescinded in 1970. In addition, that fee was not as stringent as the present proposal as it could be amortized rather than paid up front and the money went into the loan guarantee revolving fund rather than into general treasury revenues.

3. Revolving Fund: While it is stated that as "proprietary" receipts, the user fee will be credited as offsets to the VA budget, it is really another federal government revenue enhancement measure. The VA loan guarantee revolving fund is self sustaining and any monies collected from the loan guarantee program should revert to this fund. It is even more important now in times of economic downturn.

There has been some consideration given to putting a limit on the amount that the one-half percent fee would apply. Limiting the amount of the fee to one percent of the loan guarantee amount could be a reasonable solution to the unlimited fee approach. In this manner, the fee at today's entitlement limit of $27,500 could not be over $275.

In summary, the National Association of Homebuilders is opposed to the implementation of a user fee on the loan guarantee program because it is an entitlement program and because of affordability problems inherent in the housing market today. Millions of Americans have been priced out of the market and housing production is at an all time low. Economic conditions do not warrant imposing a fee at this time.

If such a fee is imposed, however, it should go into the loan guarantee revolving fund rather than general Treasury revenues, allowance should be made to amortize the fee rather than enact up front payment, and the amount on which the fee applies should be limited to prevent unduly high charges.

I would also like to take this opportunity to express our opposition to the cutbacks in the Government National Mortgage Association's (GNMA) Mortgage Backed Security Program. GNMA purchases over 70 percent of the VA guaranteed loans so the limitations on GNMA would seriously hamper the VA loan guarantee program. VA guaranteed and FHA insured mortgages accounted for 200,000 or 18 percent of total housing starts in 1981. Any restriction on their capacity to operate as demand programs would severely impact potential first-time buyers and veterans who are either unable to get a loan or who are priced out of the market. Reducing the level of VA and FHA activity by limiting their purchases through GNMA in the secondary market could have a detrimental impact on the housing industry.

Thank you for seeking our views on this most important issue.

Sincerely yours,

Robert D Bannister
Senior Staff Vice President

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